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Data and Materials for the

# Fiscal Year 1991 Finance Committee Report

Under the

# Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

Lloyd Bentsen, *Chairman*

FEBRUARY 1990

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## SUMMARY: IMPACT OF CONGRESSIONAL BUDGET PROCESS ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I–IX of Public Law 93–344) established the mechanisms and procedures for Congress to develop its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The original budget act was substantially amended by Public Law 99–177, the Balanced Budget and Emergency Deficit Control Act of 1985 (also known as the Gramm-Rudman-Hollings Act), and by Public Law 100–119, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

In addition to revising the budget act, the 1985 and 1987 amendments set up temporary procedures designed to assure the attainment of a balanced budget by fiscal year 1993. For each fiscal year between now and FY 1993, the Act establishes maximum deficit amounts as follows: FY91 $64 billion; FY92 $28 billion. A $10 billion tolerance level is established for each of these years. For FY93, the act specifies a zero deficit as the maximum deficit amount and provides no tolerance. If Congress fails to meet the specified goal for any of these years, an automatic deficit reduction procedure (called "sequestration") will go into effect.

The Congressional Budget Act, as amended, has a number of effects on the consideration of legislation handled by the Committee on Finance. Major provisions affecting the Committee include:

*1. Letter to Budget Committee.*—By February 25 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the Committee's views and estimates with respect to such expenditures, revenues, and the debt limit. For the current year, the deadline for submitting this report has been extended to March 9 to allow additional time to consider the budget submissions of the Administration. (The report submitted for the 1st Session of the 101st Congress appears as Appendix A of this document.)

*2. Timing restrictions on tax and spending bills.*—Certain kinds of legislation may not be considered prior to the adoption by Congress of the Budget Resolution. This restriction applies to most of the legislation considered by the Finance Committee: revenue and debt limit changes for the upcoming fiscal year and legislation increasing expenditures in such areas as social security and welfare.

*3. Budget allocation reports.*—After the adoption of a budget resolution by the Congress, the Finance Committee is required to file an allocation report showing how the aggregate spending authority assumed in the budget resolution for all Finance Committee programs will be subdivided. This subdivision can be by program or by

subcommittee. A point of order will lie against any bill or amendment affecting Finance Committee spending program jurisdiction if the allocation report has not been filed or if it is inconsistent with the proposed legislation. Also, for non-trust fund entitlement programs, bills reported from the Finance Committee could be subject to 15-day referrals to the Appropriations Committee if they have not been provided for in an allocation report. As it acts on legislation throughout the year, the Committee can file revised allocation reports.

*4. Resolution totals binding.*—By April 15, Congress is required to complete action on the concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. For the duration of the Gramm-Rudman-Hollings legislation, the budget resolution must set a deficit which is no greater (but can be smaller) than the Gramm-Rudman-Hollings maximum deficit amounts described above. After the resolution is adopted, points of order can be raised against bills or amendments which would cause its overall spending ceiling to be exceeded, or would cause revenues to fall below its revenue floor, or would cause the Gramm-Rudman-Hollings maximum deficit amount to be breached.

*5. Reconciliation.*—The budget resolution can require the Finance Committee to report "reconciliation" legislation by a specified date to raise taxes or cut back on spending programs within the committee's jurisdiction. Such legislation is considered under special procedures which establish automatic time limits for consideration and prohibit nongermane amendments. The Budget Act schedule calls for Congress to complete action on reconciliation legislation by June 15.

*6. Sequestration.*—If the overall impact of spending and revenue legislation enacted by Congress and the President does not reduce the deficit sufficiently to meet the Gramm-Rudman-Hollings target (with the $10 billion tolerance), a "sequestration process is triggered under which nonexempt spending programs are reduced by amounts sufficient to bring the deficit down to the target (without any tolerance). Half the savings must come from domestic programs and half from defense. Within each category, all non-exempt programs must be uniformly reduced. For the most part, entitlement programs are exempt from sequestration although Medicare payments would be reduced by not more than 2 percent. The decision as to whether a sequestration is required is made by the Director of OMB based on the situation prevailing on October 15.

## THE BUDGET PROCESS

### 1. Key Concepts

*Federal Budget.*—There are two separate and distinct Federal budgets: the President's budget and the Congressional budget.

In early January of each year, the President submits to the Congress his budget plan for the fiscal year which will start on the following October 1. The President's budget not only sets forth the overall levels of spending and revenues that he recommends but also contains a detailed listing of how much he estimates and proposes for each individual program of government.

The Congressional budget is a concurrent resolution reported from the House and Senate Budget Committees and adopted by the Congress. Unlike the President's budget, it does not include detailed programmatic budget levels. Instead it establishes overall budget aggregates: total revenues, total outlays, total budget authority. The budget resolution does include a breakdown of the spending totals by broad functional categories such as "national defense," "agriculture," etc., but these are not binding.

Both the President's budget and the congressional budget are essentially planning documents designed to guide the Congress as it works on the separate pieces of legislation (tax, entitlement, and appropriations bills) which actually determine the amount of Federal spending and revenues and the extent of budgetary deficit or surplus.

*Baseline.*—Both the President's budget and the Congressional budget set forth plans as to what the ultimate levels of taxes, spending, and deficit or surplus should be for the fiscal year after the impact of any legislative changes which may be enacted. In order to determine how much of a change in law or policy is required to reach the budgetary goals, it is necessary to compare the budget plan with a "baseline" budget which represents the continuation of current law and policy. A baseline would generally assume continuation of entitlement programs and revenue laws without substantive change and the enactment of discretionary appropriations at a level which permits the continuation of existing policies. Ordinarily, in order to construct a baseline that represents a continuation of existing policy, an inflation factor would be applied to discretionary appropriations. At the present time, the budget process uses three different baselines: the CBO baseline which projects spending and revenues using CBO's own economic and technical assumptions, the OMB "current services" baseline which employs the Administration's economic and technical assumptions, and the Gramm-Rudman-Hollings baseline. The GRH baseline is similar to the OMB "current services" baseline, but it follows certain statutory specification in the GRH legislation and is used to determine how much deficit reduction is needed to avoid sequestration.

BASELINE FOR FISCAL YEAR 1991

[lin billions of dollars]

| | Baseline deficit | Required deficit reduction | |
|---|---|---|---|
| | | to meet target | to avoid sequester |
| CBO baseline | 138 | 74 | 64 |
| OMB current services/adjusted GRH baseline | 101 | 37 | 27 |
| GRH baseline | [1] 85 | 21 | 11 |

[1] The GRH baseline calculation does not assume reauthorization of the Food Stamp program as well as other probable changes and is therefore somewhat misleading as an indication of required deficit reduction.

*Spending Authority.*—Federal laws which control the expenditure of Federal funds can be generically referred to as "spending authority." Some of the more significant types of spending authority are:

DISCRETIONARY APPROPRIATIONS

For many programs, the amount of spending is controlled by the annual appropriations process. This is the case with respect to the administrative costs of Federal agencies such as IRS, the Social Security Administration, and the Customs Bureau. For most Finance Committee programs, however, actual programmatic costs are not controlled by annual appropriations acts. (Exceptions to this rule are the Child Welfare Services program and the Maternal and Child Health program.)

ENTITLEMENTS

In general, most Finance Committee spending programs are entitlements. From a budgetary perspective, this means that the actual control of spending levels is exercised by the substantive legislation under the jurisdiction of this Committee rather than by annual appropriations acts. There are two types of entitlements: direct spending entitlements such as social security which do not require annual appropriations because their funding is based on a permanent appropriation and "appropriated entitlements" such as Medicaid and the program of aid to families with dependent children. The costs of these programs are controlled by the substantive legislation, but their funding is nevertheless included, as a mandatory or nondiscretionary item, in annual appropriations bills.

*Outlays.*—Although Congress exercises control over spending by enacting, modifying, or repealing various forms of "spending authority, the annual deficit or surplus is determined by comparing revenues and outlays. Outlays take place when the spending authority actually results in the expenditure of funds. In some programs (for example, defense procurement activities), there can be major differences between spending authority and outlays. For practical purposes, however, Finance Committee programs are assumed to have annual outlays equal to annual spending authority (which is not the same as "budget authority").

*Treatment of Social Security and Medicare.*—Public Laws 98–21 and 99–177 established special rules for the budgetary treatment of the Old-age, Survivors, and Disability Insurance (OASDI) and the Hospital Insurance (HI) programs. Effective starting in FY 1993 for HI and effective starting with FY 1986 for the OASDI program, current law requires that the expenditures and revenues of these programs be excluded in computing budgetary totals for purposes of both the President's budget and the Congressional Budget. At the same time, however, the Gramm-Rudman-Hollings statute specifies that the income and outgo of the OASDI program is to be included in determining whether or not the GRH targets are met. Since the current budget process focuses heavily on the attainment of the GRH targets, most budgetary displays show combined (or

"unified") totals which include the impact of social security. Strictly speaking, however, OASDI is "off-budget."

In addition, the Budget Act provides that reconciliation legislation will be subject to a point of order if it includes any provisions affecting the OASDI program.

### 2. Outline of Congressional Budget Process

By April 1 of each year, the Senate Budget Committee is required to report to the Senate a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels of spending, revenues, and public debt for the coming fiscal year. The spending levels are, for informational purposes, broken down into broad functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment.

When agreed to by the House and the Senate (which is required to happen by April 15), the budget resolution represents congressional judgment of the appropriate fiscal situation for the coming year. The resolution is intended to guide the development of legislation providing for taxes and spending, and such legislation can be subject to points of order if it is inconsistent with meeting the overall revenue and spending totals in the resolution.

The budget resolution also may include "reconciliation" instructions to direct the appropriate committees to report legislation changing spending, revenue, or debt limit levels. Upon adoption by Congress of the resolution, committees affected by such instructions must report legislation meeting the spending or revenue totals in the instructions. This legislation is then debated by Congress as part of a reconciliation bill under special expedited procedures. Action on this reconciliation bill is to be completed by June 15.

### 3. Waiver of Rules Regarding Budget Procedure

Some of the rules applicable to Senate procedures under the Congressional Budget Act can be waived by a majority vote of the Senate. Others require a vote of three-fifths of the full Senate membership (60 votes). In addition, the act includes a special waiver procedure in connection with the provisions requiring that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before the adoption of the budget resolution. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee, which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is reported by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted on by the Senate. If it were approved, the Senate could then proceed to consider the legislation.

## 4. Impact of the Budget Act on Finance Committee

### LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

*Annual report to Budget Committee.*—Each year, prior to the consideration of the concurrent resolution on the budget, each committee is required to make a report to the Budget Committee presenting its views and estimates concerning spending under its jurisdiction during the coming fiscal year (and the following two fiscal years). By statute this report is due no later than February 25. This year the reporting date has been postponed to March 9.

*Allocation report after adoption of budget resolution.*—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction or among its subcommittees. These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution. Bills and amendments involving spending may not be considered until the committee with jurisdiction over that spending program has filed its allocation report, and points of order may be raised against bills or amendments which are not accommodated in these allocation reports.

*Limitation on consideration of spending bills.*—The Congressional Budget Act provides that bills involving appropriated entitlement programs (such as welfare or Medicaid) and bills directly increasing spending authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the adoption of the concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

*Impact of concurrent budget resolutions on legislation.*—The concurrent resolution, which is to be passed by April 15, not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report reconciliation legislation to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, in order to meet such a requirement that the committee could report legislation to defer or reduce benefits under entitlement programs, including both trust fund programs (such as unemployment insurance or Medicare) and non-trust-fund programs (such as welfare, social services or Medicaid). Reconciliation legislation may not include changes in the Social Security programs of Old-Age, Survivors and Disability Insurance (OASDI).

After the adoption of the budget resolution for a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution to be exceeded or would cause the deficit for the fiscal year to exceed the maximum deficit amount. In the case of the

Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new or revised budget resolution could, however, be passed to authorize such additional spending, or the rule could be waived by a three-fifths vote of the Senate.)

The budget totals included in the resolution are mandatory, establishing firm guidelines within which the Congress considers legislation affecting spending. Thus, if unrealistic assumptions or objectives are used in setting the budget resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

*Appropriations Committee review of certain entitlement bills.*—Legislation in such areas as supplemental security income, welfare, social services, or Medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriations acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the committee's allocation of its spending authority under the most recent budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such an amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending or extending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

In the past, refundable tax credits were treated for purposes of the congressional budget process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose in the case of any new programs of this type which may be enacted.

*Report on spending legislation.*—The Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent budget resolution. In addition, if this information is provided by the Congressional Budget Office (CBO) on a timely basis, the report must also include CBO projections showing the extent to which the

legislation provides financial aid to States and localities and a projection for five fiscal years of the spending which will result from the legislation. This requirement also applies to conference reports, if the information is provided by CBO on a timely basis.

### LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

*Annual report to the Budget Committee.*—The annual report to the Budget Committee which is described above also must, in the case of the Finance Committee, present its views and estimates with regard to revenues and the debt limit.

*No revenue legislation prior to adoption of the budget resolution.*—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the resolution on the budget. This rule does not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The wording of this provision of the Budget Act is not entirely clear. In 1978, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. Consequently, a point of order was raised during the consideration of the 1978 tax cut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 would not have been adopted until approximately May 15, 1979.) The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the Chair, but the ruling of the Chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

*Impact of a budget resolution.*—As with spending measures, the concurrent resolution adopted in mid-April sets mandatory levels for revenue and debt limit legislation, and may direct the Committee on Finance to report reconciliation legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determined to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which is to be acted upon by June 15.

Once a budget resolution is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the levels specified in the budget resolution would be subject to a point of order. If the budget resolution sets a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having

nearly negligible revenue impacts can be rejected on a point of order. If the resolution includes goals based on unrealistic assumptions about revenue increases, the committee will face points of order against the consideration of any revenue reducing legislation.

*Required report on tax expenditures.*—The Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include a projection by CBO (if timely received) as to how such legislation will affect the level of tax expenditures under existing law. The report will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five years. This requirement also applies to conference reports.

## CHARTS AND DESCRIPTIONS

**Chart 1**

# Report to Budget Committee

Views and estimates of Finance Committee on:

1. Expenditures
2. Revenues
3. Tax expenditures
4. Public Debt

Relating both to existing law and proposals to change existing law

## Chart 1

### Report to Budget Committee

Under the Congressional Budget Act of 1974, as amended, the Committee on the Budget is required by April 1 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a budget, the Act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by February 25 of each year. For 1990, this deadline has been changed to March 9.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 5, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1991 (and for planning purposes, fiscal years 1992 and 1993). The report sent to the Budget Committee in 1989 is reprinted in Appendix A.

Section 301(c) of the Budget Act, which deals with the February 25 report to the Budget Committee, is included in the excerpts from that Act which appear in Appendix B.

## Chart 2.—ECONOMIC ASSUMPTIONS

[Calendar years; dollars in billions]

| | 1990 | | 1991 | | 1992 | | 1993 | |
|---|---|---|---|---|---|---|---|---|
| | CBO | OMB | CBO | OMB | CBO | OMB | CBO | OMB |
| Gross National Product (GNP): | | | | | | | | |
| Current dollars | 5,534 | 5,583 | 5,893 | 6,002 | 6,279 | 6,439 | 6,688 | 6,881 |
| Percent change in real GNP | 1.7 | 2.4 | 2.4 | 3.2 | 2.5 | 3.2 | 2.5 | 3.1 |
| Wages and salaries | 2,795 | 2,805 | 2,975 | 3,022 | 3,168 | 3,246 | 3,377 | 3,469 |
| Other personal income | 1,886 | 1,896 | 2,001 | 2,017 | 2,123 | 2,138 | 2,253 | 2,261 |
| Corporate profits | 320 | 360 | 356 | 421 | 371 | 472 | 386 | 515 |
| Percent change in CPI | 4.0 | 3.9 | 4.3 | 4.0 | 4.3 | 3.9 | 4.3 | 3.6 |
| Unemployment rate, total (percent) | 5.6 | 5.4 | 5.5 | 5.3 | 5.5 | 5.2 | 5.5 | 5.1 |
| Treasury bill rate, 91-day (percent) | 6.9 | 6.7 | 7.2 | 5.4 | 6.9 | 5.3 | 6.1 | 5.0 |

## Chart 2

### Economic Assumptions

Both the overall budget totals and the budgetary impact of legislative proposals can be significantly affected by various economic factors concerning which there reasonably may be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and as to the type of legislation that may be enacted and its effect on the operations of the economy.

Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under social security are sensitive to the Consumer Price Index (CPI) since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment.

Revenues, similarly, are strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. In addition, trends in interest rates, the rate of inflation, and the size of the budget deficit affect the cost of interest on the public debt.

In developing the Congressional budget, the Congress has most frequently used the economic assumptions of the Congressional Budget Office. In as much as the Gramm-Rudman-Hollings legislation is based upon determinations made by the Office of Management and Budget (OMB), the Congress in 1989 used the OMB economic assumptions which were the basis for the President's budget. This chart shows the major economic assumptions underlying the budget as submitted by President Bush in January and also those which have been adopted by CBO. In general, the CBO assumptions project somewhat slower economic growth, higher inflation and interest rates, and higher unemployment levels.

## Chart 3.—THE OVERALL BUDGET

[In billions of dollars]

| | CBO Baseline | | | OMB current services | | | President's Budget | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY91 | FY92 | FY93 | FY91 | FY92 | FY93 | FY91 | FY92 | FY93 |
| Budget: | | | | | | | | | |
| Outlays | 1,041 | 1,095 | 1,163 | 1,007 | 1,046 | 1,089 | 997 | 1,026 | 1,067 |
| Revenues | 828 | 874 | 924 | 845 | 901 | 963 | 856 | 909 | 966 |
| Deficit | −212 | −221 | −239 | −162 | −145 | −126 | −142 | −118 | −102 |
| Social Security: | | | | | | | | | |
| Outlays | 234 | 244 | 254 | 234 | 244 | 255 | 236 | 245 | 255 |
| Revenues | 309 | 330 | 352 | 312 | 334 | 361 | 315 | 337 | 362 |
| Surplus | 74 | 85 | 98 | 78 | 90 | 106 | 79 | 92 | 107 |
| "Gramm-Rudman-Hollings": | | | | | | | | | |
| Deficit | −138 | −138 | −135 | −101 | −73 | −39 | −63 | −25 | 6 |
| Target | −64 | −28 | 0 | −64 | −28 | 0 | −64 | −28 | 0 |
| Difference | 74 | 110 | 135 | 37 | 45 | 39 | +1 | +3 | +6 |

## Chart 3

## The Overall Budget

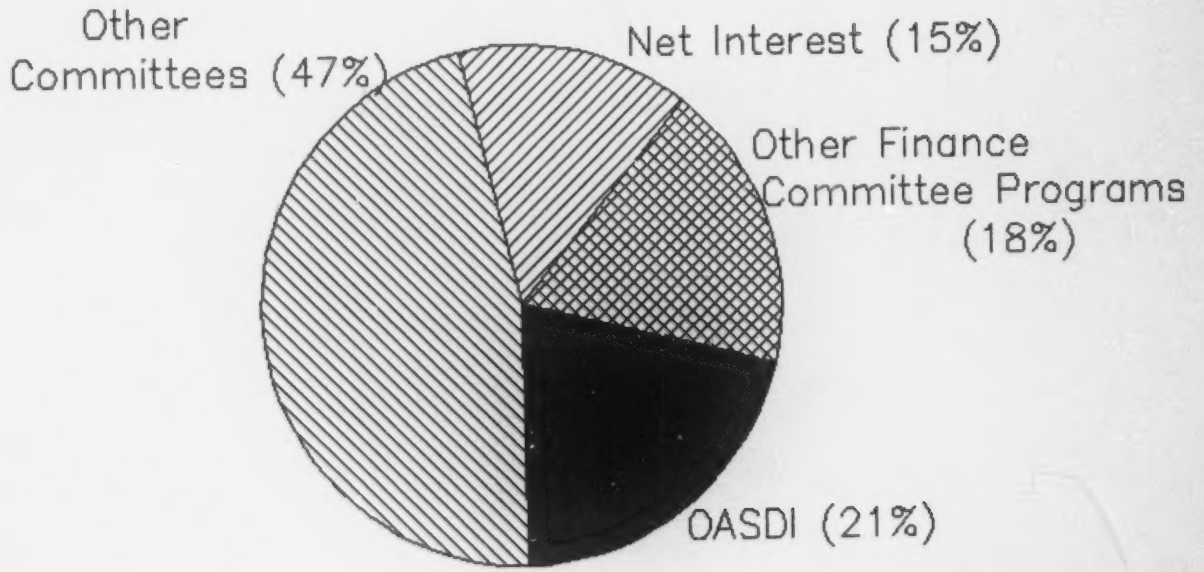
In considering its legislative plans for the upcoming year, the Committee may find it useful to look at the overall budget totals under a continuation of current tax and spending policies and also under the budget proposed by the President.

Because of differing economic and technical assumptions, OMB and CBO project somewhat different budgetary totals under a continuation of current policies. For fiscal year 1991, the CBO projection would indicate a need for $74 billion in deficit reduction in order to meet the $64 billion deficit required by the Emergency Deficit Reduction and Budget Control Act ("Gramm-Rudman-Hollings"). The OMB current services projections would show a need for $37 billion in deficit reduction to meet that target.

Present law requires that the income and outlays of the social security cash benefit trust fund programs be excluded from the budget totals. However, these items are added back in to determine whether or not the "Gramm-Rudman-Hollings" targets are met.

This chart shows the overall budget totals under the budget submitted by the President and also under a continuation of current policy as estimated in the CBO baseline and in the OMB current services budgets.

## Chart 4
## FEDERAL SPENDING
Role of Finance Committee Programs



## Chart 4

### Federal Spending: Role of Finance Committee Programs

Chart 4 shows how the budgetary impact of Finance Committee spending jurisdiction relates to total Federal spending for fiscal year 1991. Amounts shown reflect the current policy estimates of the Congressional Budget Office as follows:

[In billions of dollars]

| | |
|---|---|
| Total Spending: | |
| Finance Committee programs: | |
| Social Security (OASDI) [1] | 267 |
| Other accounts | 229 |
| Net interest | 185 |
| Non-Finance Committee programs | 594 |
| Total outlays | 1,275 |

[1] The amount shown here represents actual programmatic outlays. It differs from the amount shown in tabe 3 which is a net amount after treating certain general fund transfers (e.g. interest) as "Negative Outlays."

**Chart 5**

# Major Expenditure Programs Under Finance Committee Jurisdiction

1. Social security cash benefits (see chart 6):
   A. Old-age and survivors insurance (OASI)
   B. Disability insurance (DI)
2. Unemployment compensation (UC) (see chart 7)
3. Welfare programs for families (see chart 8):
   A. Aid to families with dependent children (AFDC)
   B. Job Opportunities and Basic Skills Training (JOBS) program
   C. Child support enforcement (CSE)
   D. Child Welfare, Foster Care, and Adoption Assistance
4. Earned income tax credit (EITC) (see chart 9)
5. Social services (see chart 10)
6. Child care (see chart 11)
7. Supplemental security income (SSI) for the aged, blind, and disabled (see chart 12)
8. Health programs (see charts 13–14):
   A. Medicare
   B. Medicaid
   C. Maternal and child health (MCH)
9. Interest on the public debt (see chart 15)

Note: See Appendix F for a more detailed listing of Finance Committee expenditure accounts.

## Chart 5

### Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it constitutes a significant part of the Federal budget even though the level of expenditure is not subject to legislative control in the same sense as expenditures under the other programs listed.

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. For this reason, the earned income tax credit is shown here as an expenditure program.

## Chart 6.—SOCIAL SECURITY CASH BENEFIT (OASDI) TRUST FUNDS

[In billions of dollars]

| | Fiscal year— | | | | | |
|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
| Present law: [1] | | | | | | |
| Income to trust funds | 310.2 | 342.5 | 370.4 | 403.8 | 435.5 | 464.8 |
| Outgo from trust funds | 248.3 | 264.7 | 280.9 | 297.7 | 314.7 | 331.6 |
| Difference | 61.9 | 77.8 | 89.5 | 106.1 | 120.8 | 133.2 |
| End of year balance in trust funds | 218.6 | 296.3 | 385.8 | 491.9 | 612.7 | 745.9 |
| Trust fund ratio (percent) [2] | 71 | 90 | 113 | 138 | 165 | 193 |

[1] These are projections under current law based on the economic and demographic assumptions used in the fiscal year 1991 budget submitted by President Bush.

[2] Start-of-year assets as a percent of outgo for the year. Assets at the start of the year are equal to the assets at the end of the prior year plus the advance tax transfers for October.

Source: SSA Office of the Actuary, January 11, 1990.

## Chart 6

### Social Security Cash Benefit (OASDI) Trust Funds: Financial Status and Relationship to the Budget

The social security cash benefit programs, Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI), provide income protection to people who work in employment covered by social security and earn a certain minimum number of "quarters of coverage". The OASI program pays benefits to eligible workers age 62 or older and their spouses and children, and to surviving spouses and children of deceased workers. The DI program pays benefits to disabled workers and to their spouses and children.

The Administration estimates that on average in fiscal year 1991 a total of 35.8 million individuals will receive monthly social security benefits from the Old Age and Survivors Insurance Trust Fund, as retired workers or their dependents, or as survivors of deceased workers. In addition, some 4.2 million individuals will receive benefits from the Disability Insurance Trust Fund as disabled workers or as dependents of disabled workers. In total, approximately 40 million people will be receiving some type of monthly social security cash benefit.

*The status of the trust funds.*—The Administration budget projections under current law for the next 5 years continue to reflect an improving financial outlook for the OASDI trust funds with the combined trust reserve ratio growing from 71 percent of the projected annual outgo at the beginning of fiscal year 1990 to 193 percent at the beginning of fiscal year 1995.

The following table displays the economic assumptions underlying the budget as they relate to the OASDI program.

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

[IN PERCENT]

| | Calendar year— | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
| Percent change in CPI | 4.8 | 3.9 | 4.0 | 3.9 | 3.6 | 3.3 | 3.0 |
| Benefit increase [1] | 4.7 | 3.9 | 4.1 | 3.8 | 3.6 | 3.3 | 3.0 |
| Real wage differential | 1.6 | 2.3 | 2.6 | 2.5 | 2.1 | 1.8 | 1.9 |
| Civilian unemployment rate | 5.3 | 5.5 | 5.4 | 5.3 | 5.2 | 5.1 | 5.1 |

[1] Benefit increase payable in January of the following year.

*Limitation on administrative expenses.*—The 1991 budget requests $4,167 million in budget authority for administrative expenses, an increase of $330 million compared to 1990.

**PROPOSED LEGISLATION**

The budget submitted by President Bush includes six proposals affecting the Old-age, Survivors, and Disability Insurance program.

SOCIAL SECURITY PROPOSALS—BUDGET IMPACT

[In millions of dollars]

| | Fiscal year— | | | | | 5-year total |
|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | |
| Cover State and local employees: | | | | | | |
| Administration estimate | 2,105 | 2,177 | 2,344 | 2,521 | 2,691 | 11,838 |
| CBO estimate | 2,035 | 2,213 | 2,358 | 2,514 | 2,685 | 11,805 |
| Cover new D.C. employees: | | | | | | |
| Administration estimate | 2 | 6 | 13 | 16 | 23 | 60 |
| CBO estimate | 2 | 6 | 13 | 16 | 23 | 60 |
| Adopted children: | | | | | | |
| Administration estimate | 0 | 1 | 1 | 2 | 2 | 6 |
| CBO estimate | 0 | 1 | 1 | 2 | 2 | 6 |
| Income tax refund offset: | | | | | | |
| Administration estimate | −79 | −97 | −27 | −18 | −18 | −239 |
| CBO estimate | −78 | −56 | −37 | −28 | −22 | −221 |
| Pre-effectuation review: | | | | | | |
| Administration estimate | −2 | −5 | −5 | −6 | −8 | −26 |
| CBO estimate | −2 | −5 | −5 | −6 | −8 | −26 |
| Advance tax transfer: | | | | | | |
| Administration estimate | 0 | 0 | 0 | 0 | 0 | 0 |
| CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 |

*Coverage of State and local employees not covered by a public retirement program.*—Employees of State and local government are covered by Social Security under agreements between the State and the Secretary of Health and Human Services. Currently about 30 percent of State and local government jobs (about 7 million employees) are not covered by OASDI. About 3.8 million of these employees, many of whom are young and are employed part-time or temporarily, are not participating in a public employee retirement plan.

The Administration is proposing mandatory coverage of State and local employees who are not participating in a public employee retirement system, effective October 1, 1990.

*Coverage of new employees of the District of Columbia.*— Since October 1, 1987, new employees of the District of Columbia have

been covered by Social Security unless they participate in one of the city's three special retirement programs (for police and fire fighters, teachers, and judges).

The budget includes a proposal to cover all new employees, including the groups currently covered by the special retirement programs.

*Benefits for adopted children.*—Under current law, a child adopted by the surviving spouse of a deceased worker must meet several tests in order to be entitled to benefits as a surviving adopted child. First, adoption proceedings must have been initiated prior to the worker's death or the adoption must have been completed within two years of the worker's death. Second, the child must have been living in the worker's home and cannot have been receiving support from any source other than the worker and the spouse in the year prior to the worker's death.

The Administration is proposing to change the support requirements to permit a child who is adopted by the surviving spouse of a deceased worker to receive benefits on that worker's earnings if the child was living in the worker's home when the worker died, or the child was receiving one-half support from the worker at the time of death.

*Recoupment of certain overpayments through income tax refund offset.*—Under current law, Federal agencies that are owed a past-due, legally enforceable debt, other than a social security overpayment, may collect it by having the Internal Revenue Service withhold or reduce the debtor's income tax refund.

The Administration's budget includes a proposal to give SSA permanent authority to collect social security and SSI overpayments by withholding the amount due from Federal income tax refunds if recovery through benefit adjustment or direct payment by the overpaid individual has not been successful. The proposal would apply only to amounts owed by former beneficiaries, not to amounts owed by current beneficiaries.

*Pre-effectuation review requirement.*—State Disability Determination Services, under contract with the Federal government, make determinations on individuals' initial and continuing eligibility for disability benefits. Amendments enacted in 1980 require the Secretary of HHS to review 65 percent of favorable disability determinations before the decision becomes effective. The review applies to favorable decisions on initial claims, reconsiderations, and continuing disability investigations.

The Administration is proposing to reduce the review requirement to 50 percent of all allowances (initial claims and reconsiderations) and 25 percent of all continuances.

*Advance tax transfer.*—Another proposal in the Bush budget would end the advance tax transfer provision. These provisions were adopted in the 1983 social security amendments when trust fund balances were precariously low. They provide for crediting the social security trust funds at the beginning of each month with the social security taxes expected to be collected during the month. The trust funds are required to repay the general fund for any interest paid on amounts transferred in advance of when they are collected so that there should be no financial advantage to either the trust funds or the general fund. In some cases, however, the availability

of the advance tax transfer makes it possible for the trust funds to avoid redeeming investments that would otherwise be needed to meet benefit payments at the start of the month. Depending on prevailing interest rates, this apparently unintended effect could result in the trust funds earning more or less interest than would be the case in the absence of the advance tax transfer provision. The Administration estimates that the provision will result in a lowering of interest paid to the trust fund over the next several years. Since interest payments are an interfund transaction, there would be no budgetary impact on the "unified" or Gramm-Rudman-Hollings deficit.

## Chart 7—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

| Unemployment trust fund | Fiscal year 1990 | Fiscal year 1991 |
|---|---|---|
| Status of State accounts: | | |
| Income: | | |
| State taxes | 16.4 | 16.3 |
| Interest | 3.1 | 3.1 |
| Total | 19.5 | 19.4 |
| Outgo: | | |
| State benefits | 16.1 | 16.4 |
| Federal loans repaid | 0.2 | 0.2 |
| Total | 16.3 | 16.6 |
| Balance at end of year | 40.7 | 43.4 |
| Less outstanding Federal loans | 0.6 | 0.4 |
| Net balance | 40.1 | 43.0 |
| Status of extended benefit account: | | |
| Income: | | |
| Federal taxes/interest | 1.7 | 1.3 |
| Transfer from or to (—) other account | 0.0 | —0.2 |
| Total | 1.8 | 1.0 |
| Outgo | 0.0 | 0.0 |
| Balance at end of year | 7.6 | 8.6 |
| Status of administration account: | | |
| Income: | | |
| Federal taxes and interest | 3.6 | 3.8 |
| Transfer from or to (—) other account | 0.0 | —0.6 |

## Chart 7—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

| Unemployment trust fund | Fiscal year 1990 | Fiscal year 1991 |
|---|---|---|
| Total | 3.5 | 3.1 |
| Outgo: | | |
| State unemployment insurance service | 1.7 | 1.9 |
| State employment service | 1.0 | 1.0 |
| Federal administration | 0.2 | 0.2 |
| Total | 2.9 | 3.1 |
| Balance at end of year | 1.8 | 1.8 |
| Status of Federal unemployment (loan) account: | | |
| Income: | | |
| Federal taxes and interest | 0.9 | 0.5 |
| State loan repayments | 0.2 | 0.2 |
| Transfer from other account | 0.0 | 0.9 |
| Total | 1.0 | 1.5 |
| Outgo: | | |
| Loans to States | 0.0 | 0.0 |
| Repayments to general fund | 0.0 | 0.0 |
| Total | 0.0 | 0.0 |
| Balance at end of year | 2.3 | 3.8 |
| Less outstanding loans from general fund | 0.0 | 0.0 |
| Net balance | 2.3 | 3.8 |

## Chart 7

### Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 6.2 percent on the first $7,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 5.4 percent credit against the 6.2 percent Federal unemployment tax. Thus, the effective Federal tax rate in a State which has an approved program is 0.8 percent. The effective tax rate may be higher in States having outstanding unemployment insurance loans from the Federal Government. The tax rate and the net effective tax rate are scheduled to drop by 0.2 percentage points (to 6.0 and 0.6) as of January 1, 1991. Chart 7 reflects the reduced income to the trust fund as the result of the expiration of the .2 percent surtax (which was originally enacted in 1976).

The Federal tax is used to pay State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Unemployment Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow when it lacks funds to pay State unemployment compensation benefits.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues.

Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit program goes into effect providing up to 13 additional weeks of benefits.

The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect an optional trigger which permits the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years. At the present time, only Puerto Rico is paying extended benefits.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. All outstanding general fund advances have now been repaid.

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board.

There is also a special unemployment benefits program for trade-impacted workers. This is described in chart 16.

The target budget deficits under the Gramm-Rudman-Hollings law reflect the impact of unemployment taxes and spending (including both Federal and State accounts). If, however, the target deficits are not met, the automatic "across-the-board" spending reductions are applied to unemployment benefits according to special rules. Regular State benefits and benefits for former Federal employees and ex-servicemen are exempt from any reduction. Extended benefits, as such, are not reduced, but the Federal share of the funding for these benefits is subject to reduction. States have the option of reducing or not reducing the actual benefit payments to reflect the reduction in Federal funding.

# Chart 8.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

| | Fiscal year— | |
|---|---|---|
| | 1990 | 1991 |
| Aid to families with dependent children: | | |
| Welfare payments | 9.8 | 10.3 |
| Administration | 1.4 | 1.5 |
| JOBS program | 0.3 | 0.6 |
| Child care: | | |
| JOBS | 0.1 | 0.2 |
| Transitional assistance | (*) | 0.2 |
| Child support: | | |
| Non-AFDC collections | NA | NA |
| AFDC collections | NA | NA |
| Gross Federal share of AFDC collections | .8 | 1.0 |
| Total AFDC/non-AFDC administrative costs | 1.6 | 1.9 |
| Federal share | 1.1 | 1.3 |
| Incentive payments | 0.3 | 0.3 |
| Title IV-B (child welfare services/training) | 0.3 | 0.3 |
| Title IV-E (foster care, adoption assistance, independent living) | 1.5 | 2.3 |

* Less than $50 million.

Source: Estimates by the Congressional Budget Office. Includes Federal outlays only.

## Chart 8

## Welfare Programs for Families

### A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. At the present time, States, at their option, may also provide benefits for families in which dependency arises from a parent's unemployment. A provision in the Family Support Act of 1988 requires all States to provide benefits to families with unemployed parents beginning in fiscal year 1991. (States may choose to provide these benefits on a time-limited basis, but for no less than 6 months in a 12-month period.) States establish their own income eligibility and benefit levels.

The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 55 percent. The AFDC program is not subject to reduction under the Public Law 99–177 sequestration procedures.

According to the Congressional Budget Office, under present law the average number of families and recipients receiving monthly payments is as follows:

[In thousands]

| | Fiscal year— | | |
|---|---|---|---|
| | 1989 | 1990 est. | 1991 est. |
| Families | 3,762 | 3,850 | 3,885 |
| Individuals | 10,911 | 11,165 | 11,265 |

According to CBO, estimates for Federal program costs under present law are as follows:

[In millions of dollars]

| | Fiscal year— | | |
|---|---|---|---|
| | 1989 | 1990 est. | 1991 est. |
| AFDC benefits [1] | 8,678 | 8,955 | 9,280 |
| Emergency assistance | 116 | 160 | 175 |
| Other assistance payments | 16 | 17 | 17 |
| State and local administration and training | 1,354 | 1,404 | 1,461 |
| Child care | 17 | 140 | 420 |
| Total | 10,181 | 10,676 | 11,353 |

[1] Includes reductions for child support enforcement collections of $724 million in 1989, $840 million in 1990, and $990 million in 1991.

**B. JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM (JOBS)**

The Family Support Act of 1988 provided for replacement of the Work Incentive (WIN) program with a new Job Opportunities and Basic Skills Training program (JOBS). The legislation provides Federal matching funds to the States through a capped entitlement mechanism aimed at assuring each State its share of Federal dollars equal to $600 million in 1989, $800 million in 1990, $1 billion in 1991, 1992, and 1993, $1.1 billion in 1994, and $1.3 billion in 1995. States must implement the JOBS program by October 1, 1990, but had the option of doing so as early as July 1, 1989. They are required to operate a WIN or WIN demonstration program until their JOBS program is in place. Currently, 27 States are operating a JOBS program.

The Federal match for the JOBS program is 90 percent for expenditures up to the amount allotted to the State for WIN in fiscal year 1987. Of additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal match of 60 percent for non-administrative costs and for personnel costs for full-time staff working on the JOBS program. The match for other administrative costs (including evaluation) is 50 percent. State matching for amounts above the 1987 WIN allocation must be in cash. States will receive an amount equal to their WIN allotment for fiscal year 1987 ($126 million for all States). Additional funds are allocated on the basis of each State's relative number of adult recipients.

State JOBS programs must include a range of services and activities, including educational activities, job skills training, job readiness activities, job development and job placement, and specified supportive services, including child care. States must also offer two of the following four activities: group and individual job search, on-the-job training, work supplementation, and community work experience or other work experience program.

Responsibility for administration of the new program lies with the welfare agency at both the Federal and State levels. At the Federal level, there is a new position of Assistant Secretary for Family Support in the Department of Health and Human Services

who has responsibility for administering the JOBS program, as well as the child support and AFDC programs.

### C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to locate absent parents, establish paternity, obtain child and spousal support, and assure that assistance in obtaining support is available to all children (whether or not eligible for AFDC) for whom such assistance is requested.

As a condition of eligibility for AFDC, each applicant or recipient must assign the State any right to support which she may have in her own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC upon their application for services.

The Federal Government pays 66 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-ended entitlement basis. In addition, 90 percent Federal matching is available on an open-ended entitlement basis to States for the costs of establishing an approved automated data processing and information retrieval system.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. However, the first $50 per month of such collections is passed through to the family. The amounts retained by the government are distributed between the Federal and State governments according to the proportional matching share which each has under the State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a basic payment equal to a minimum of 6 percent of collections made on behalf of AFDC families plus 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment could reach a high of 10 percent of AFDC collections plus 10 percent of non-AFDC collections depending on the cost-effectiveness of the States program. In fiscal year 1989 the incentive payments for non-welfare collections could not exceed 110 percent of the incentive payments for welfare collections. This percentage increased to 115 percent in 1990 and years thereafter. (These incentive payments are financed from the Federal share of collections.)

According to CBO, child support collections and expenditures under present law are as follows:

[In millions of dollars]

| | Fiscal year— | | |
|---|---|---|---|
| | 1989 | 1990 est. | 1991 est. |
| Total collections | 5,324 | NA | NA |
| AFDC collections [1] | 1,650 | NA | NA |
| Non-AFDC collections | 3,675 | NA | NA |

[In millions of dollars]—Continued

| | Fiscal year— | | |
|---|---|---|---|
| | 1989 | 1990 est. | 1991 est. |
| Total administrative costs: | | | |
| (Federal and State) | 1,387 | 1,595 | 1,902 |
| (Federal share) | 954 | 1,066 | 1,271 |
| Federal incentive payments to States | 239 | 275 | 315 |

[1] The Federal share of collections is included in the AFDC appropriation as an offset to AFDC benefits.

The program made collections on behalf of 651,033 AFDC families and 1,250,855 non-AFDC families in fiscal year 1989.

The Child Support Enforcement Amendments of 1984 required States to adopt numerous procedures to collect overdue child support payments, including mandatory wage withholding, liens against property, and withholding of State income tax refunds, and to permit establishment of paternity until a child's 18th birthday. The 1984 amendments also made more generous the formula for Federal incentive payments to States for child support collections and extended those incentives to collections made on behalf of non-AFDC children. The amendments provided for reducing the Federal matching share for State and local administrative costs from 70 percent to 68 percent in 1988, and to 66 percent in 1990 and years thereafter. This act also modified the audit and penalty provisions under which the Federal agency monitors State program effectiveness.

The 1984 Act also required States to continue to provide services to AFDC families after they leave the rolls; authorized the Secretary of Health and Human Services to make project grants to States for developing new methods of support establishment and collection in interstate cases; extended the Federal income tax return intercept program to non-AFDC families; required each State to establish guidelines for child support awards within the State; extended Medicaid eligibility for four months to families that lose eligibility for AFDC as a result of child support collections; and encouraged States to focus on the issues of child support, child custody, visitation rights, and other related domestic issues through the establishment of special State commissions.

Major amendments to the child support enforcement program were also included in the Family Support Act of 1988. Under these amendments, judges and other officials making child support awards are required to use State-developed guidelines in setting award amounts as a rebuttable presumption. In addition, States are required to establish a mechanism to update awards on a regular basis; implement immediate mandatory wage withholding procedures; implement approved statewide automated tracking and monitoring systems; inform AFDC families of the amount of support collected on their behalf on a monthly basis (rather than annually as required under prior law); and meet minimum paternity establishment performance standards. The capacity of States to es-

tablish paternity is further enhanced by providing higher (90%) Federal matching for laboratory testing.

The 1988 law also requires the Secretary of HHS to set standards specifying time limits in which a State must respond to requests for services, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect support. A new Commission on Interstate Enforcement is established to recommend improved procedures for enforcement in interstate cases.

### D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

The child welfare services program, authorized under title IV-B of the Social Security Act, is a 75 percent Federal matching grant program for States for the provision of child welfare services to children and their families without regard to the family's income. The State allocations are based on the State's per capita income and the size of its population under age 21 compared to all the States. The fiscal year 1990 appropriation for child welfare services was $253 million; for child welfare training, $4 million; and for child welfare research and demonstration, $11 million. (Appropriations for all non-defense discretionary programs, including the child welfare program were reduced slightly—by 1.4 percent—as the result of sequestration required by Pub. L. 101-239, the Omnibus Budget Reconciliation Act of 1989.)

The foster care program, authorized under title IV-E of the Social Security Act, provides matching funds on an entitlement basis to States for maintenance payments for AFDC-eligible children in foster care. The Federal matching rate for a given State is that State's Medicaid matching rate, and averages about 55 percent nationally. Federal matching at a 50 percent rate is available for costs of administration. The fiscal year 1990 appropriation for foster care was $1,205 million (including both maintenance payments and administration).

In addition, there was an appropriation of $50 million for grants to States to help title IV-E foster care children age 16 and over prepare for independent living. These funds are allocated to the States on the basis of each State's relative number of children receiving title IV-E foster care maintenance payments in 1984. Currently there is no State matching requirement. The independent living program was originally authorized for two years, 1987 and 1988. It has been extended twice, most recently by P. L. 101-239, which extended the authorization for the program through fiscal year 1992. That legislation increased the entitlement ceiling for the program to $50 million in fiscal year 1990; $60 million in fiscal year 1991; and $70 million in fiscal year 1992. A State match of 50 percent is required beginning in fiscal year 1991 on amounts above $45 million. An evaluation of the program is also required.

The adoption assistance program, also authorized under title IV-E, provides Federal matching funds to States on an entitlement basis, at the Medicaid matching rate, for payments to parents who adopt an AFDC- or SSI-eligible child with "special needs." Special needs are defined as a condition, such as ethnic background, age, membership in a sibling group, or mental or physical handicap, which prevents the placement of the child without assistance payments. The amount of assistance provided to parents varies, de-

pending on the circumstances of the family and the child's needs. The fiscal year 1990 appropriation for this program was $125 million (including both maintenance payments and administration).

## PROPOSED LEGISLATION

### A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The Bush budget for 1991 includes two proposals to reduce the cost of the AFDC program. Estimates of savings are shown below:

AFDC PROPOSALS—SAVINGS

[In millions of dollars]

| | Fiscal year— | | | | | 5-year total |
|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | |
| AFDC quality control: | | | | | | |
| Administration estimate | −22 | −23 | −17 | −5 | (*) | −67 |
| CBO estimate | −20 | −20 | −15 | −5 | (*) | −60 |
| Emergency Assistance: | | | | | | |
| Administration estimate | −35 | −35 | −35 | −35 | −35 | −175 |
| CBO estimate [1] | −35 | −35 | −35 | −35 | −35 | −175 |

* Less than $50 million.
[1] CBO did not develop an independent estimate because details of the proposed regulation are not available.

*AFDC quality control proposal.*—The Omnibus Budget Reconciliation Act of 1989 replaced the prior AFDC quality control program with a new system beginning in fiscal year 1991. Under the new system, sanctions will be imposed only on those States whose error rates are above the national average (or 4 percent, whichever is higher). The new law provides that any sanction amount owed by a State will be due within 45 days of the date notice of the disallowance is received by the State. The State may pay immediately, or the Secretary and the State may enter into an agreement under which repayment may be made over a period of up to two and one-half years. Interest will accrue beginning 45 days after receipt of the notice. If a subsequent appeal is decided in the States's favor, the Federal government will repay all State payments with interest.

The Administration proposes to prospectively adjust Federal payments to States to collect penalties for erroneous welfare payments.

*Emergency assistance.*--The Omnibus Budget Reconciliation Act of 1989 prohibits the Secretary of Health and Human Services from issuing proposed regulations published on December 14, 1987 limiting the use of emergency assistance or special needs funds by the States. However, the legislation allows the Secretary to issue proposed rules that are consistent with the recommendations of a report entitled "Use of Emergency Assistance and AFDC Programs to Provide Shelter to Families," transmitted by the Secretary to the Congress on July 3, 1989. The Secretary is prohibited from es-

tablishing an effective date for any final regulations relating to emergency assistance, or otherwise modifying current policy regarding the use of emergency assistance or special needs funds without specific legislative authority prior to October 1, 1990. States will be required to submit financial reports on the use of emergency assistance and special needs funds.

The Bush budget assumes that the Secretary of HHS will publish regulations limiting uses of emergency assistance, consistent with the recommendations of the July 3, 1989 HHS report. Under these recommendations, States would be able to use emergency assistance funds for measures to avoid the need for long-term stays in welfare hotels, such as preventing evictions by paying past-due rent or utility bills and assisting families to move into permanent housing by paying an initial month's rent or security deposit.

### B. JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM (JOBS)

The Administration estimates that outlays for the JOBS program will grow to a total of $880 million in fiscal year 1991. This is based on a request for new budget authority of $1 billion, which is the full amount of the entitlement ceiling provided in the JOBS statute for 1991.

### C. CHILD SUPPORT ENFORCEMENT

The budget includes three proposals affecting the child support enforcement program. Estimates for these proposals are as follows:

CHILD SUPPORT ENFORCEMENT PROPOSALS—SAVINGS/COSTS

[In millions of dollars]

| | Fiscal year— | | | | | 5-year total |
|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | |
| Require fees: | | | | | | |
| Administration estimate | −30 | −35 | −40 | −45 | −50 | −200 |
| CBO estimate [1] | −30 | −35 | −40 | −45 | −50 | −200 |
| Limit Federal match: | | | | | | |
| Administration estimate | −10 | −15 | −20 | −25 | −30 | −100 |
| CBO estimate | −10 | −15 | −20 | −20 | −25 | −90 |
| Extend services: [2] | | | | | | |
| Administration estimate | −20 | −40 | −40 | −40 | −40 | −180 |
| CBO estimate | 10 | −10 | −25 | −25 | −25 | −75 |

[1] No independent CBO estimate because details of proposal were not available.
[2] Net of food stamp offsets.

*Require fees to recover costs of services.*—Under present law, States are allowed to use several mechanisms to collect fees for child support enforcement and paternity establishment services provided to non-AFDC families. They must charge an application fee of up to $25, which may be paid by the family applying for services, recovered from the non-custodial parent, or paid by the State

out of its own funds. States may also impose a fee of not more than $25 in any case where the State requests the IRS to withhold past-due support from an income tax refund due to a non-custodial parent. In addition, States are allowed to recover any costs in excess of fees recovered from non-AFDC families, but only if the State has in effect a procedure whereby all persons having authority to order support are informed that the costs are to be collected from the family that is being served.

The Administration is proposing to require States to establish sliding-fee schedules and recover a portion of the costs of services from both absent and custodial parents based on their respective abilities to pay, but only after current support obligations are satisfied. The current $25 application fee ceiling would be replaced with an income-tested sliding fee scale for non-AFDC families. Services would be free for families with incomes below 150 percent of the poverty line, reduced-rate for families between 150 and 200 percent of the poverty line, and full rate for families above 200 percent of the poverty line. Payment of most fees would be contingent on how quickly a State provides services and how much child support it collects for the families.

*Limit on Federal matching funds.*—Under present law, States receive 66 percent Federal matching for costs of administering the child support enforcement program on an open-ended entitlement basis. In addition, States may receive incentive payments of up to 10 percent of AFDC and non-AFDC collections. Incentive payments to a State for non-AFDC collections may not exceed 115 percent of the amount it is eligible to receive for AFDC collections.

The Administration proposes to require States to collect at least one dollar on behalf of AFDC families for each dollar of Federal child support enforcement matching funds that are claimed. This requirement would increase, in phases, until, by 1999, States would be required to collect $1.50 on behalf of AFDC families for each dollar of Federal matching funds claimed.

*Services for families receiving other means-tested benefits.*—Currently, State child support enforcement programs must provide services to families receiving AFDC, and to non-AFDC families that apply for services. AFDC recipients are required to cooperate in the establishment of paternity and in the collection of child support as a condition of eligibility for benefits.

The Administration is proposing to ask for general authority that would authorize the Secretary of HHS and the heads of agencies administering Federal means-tested benefit programs to develop agreements that require recipients of these other Federal assistance programs to cooperate in the establishment of paternity and in the collection of child support as a condition of continued receipt of Federal assistance. The Food Stamp program is envisioned as being one of the first programs affected.

## D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

### CHILD WELFARE, FOSTER CARE, ADOPTION ASSISTANCE—SAVINGS

[In millions of dollars]

| | Fiscal year— | | | | | 5-year total |
|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | |
| Limit Federal matching: | | | | | | |
| Administration estimate | −121 | −290 | −478 | −659 | −807 | −2,355 |
| CBO estimate | −60 | −144 | −243 | −361 | −503 | −1,311 |

*Limit on Federal matching for costs of foster care administration/placement activities.*—Under present law, States may receive 50 percent Federal matching funds for the costs of administering their foster care and adoption assistance programs on an open-ended entitlement basis. Federal regulations provide that, in addition to eligibility determination, administrative matching funds may be used for such purposes as development of case plans, preparing for and participating in judicial proceedings, assessment of the child and family's situation, case reviews, case management and supervision, recruitment and licensing of foster homes and institutions, and a proportionate share of agency overhead.

The budget includes a proposal to limit each State's annual increase in administrative/placement payments to no more than 10 percent.

## Chart 9.—EARNED INCOME TAX CREDIT [1]

[In millions of dollars]

| | Fiscal year— | |
|---|---|---|
| | 1990 | 1991 |
| Present law: | | |
| Amount in excess of tax liability | 4,786 | 5,109 |
| Offset against tax liability | 1,151 | 1,278 |
| Total | 5,937 | 6,387 |

[1] Estimates by the staff of the Joint Tax Committee.

## Chart 9

### Earned Income Tax Credit

The earned income tax credit (EITC) is currently the only *refundable* tax credit in the Internal Revenue Code. That is, it is the only example of a tax credit that can cause a tax refund to be paid even when an individual tax filer has no income tax liability for the year in question. The EITC is available to low income families that include at least one child who is a dependent of an individual with earned income.

In 1990, the maximum credit equals 14 percent of the first $6,500, with a maximum credit of $953. For each dollar of adjusted gross income above $10,740 the credit is reduced by 10 cents, and is totally phased out at a level of $20,270. The amount of earnings and income used to compute and phase out the credit increases each year under an indexing formula.

The law allows individuals who have no tax liability to claim the credit either as an annual tax refund or to have the credit added to their paychecks throughout the year through reverse withholding. In practice, very few individuals use the reverse withholding procedure.

The significance of the EITC as a source of income for low income workers with children was greatly enhanced by the tax reform legislation in 1986 which provided for increasing the amount of the credit and the level of income at which families remain eligible for all or part of the credit. The 1986 tax legislation also provided for indexing these amounts on an annual basis. The budgetary impact of the EITC was about $2 billion in fiscal 1986. It is estimated to increase from about $3.7 billion in fiscal year 1988 to $5.9 billion in 1990.

The EITC was originally developed by the Committee on Finance as a part of an overall guaranteed employment program which the Committee proposed in 1972 as a replacement for the existing welfare program. It was approved by the Committee as a way of assuring that private employment would be more attractive than the public jobs proposed in the 1972 bill, and as a way of offsetting the impact of payroll taxes for lower income working families. The credit was called a "work bonus" in 1972, because the Committee viewed it as a way of enhancing the value of work, inasmuch as it was payable only to those with earned income, and, at least up to the phase down point, the amount of the credit increased as earnings from work increased. The Committee's 1972 proposals were not enacted, but the Senate passed the EITC as a separate provision on several occasions, and it became law in 1975.

## Proposed Legislation

The Administration has proposed a new refundable tax credit for low income families with a child under age 4. This proposal is described in the section entitled "Child Care".

# Chart 10.—SOCIAL SERVICES

[In billions of dollars]

| | Fiscal year— | |
|---|---|---|
| | 1990 | 1991 |
| Present law: | | |
| Title XX block grant | 2.8 | 2.8 |

## Chart 10

## Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. In previous years, title XX legislation authorized matching funds for State social services programs on an open-ended entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States, including the requirement of a 25 percent non-Federal match, were removed, and funding levels were reduced.

The program is an appropriated entitlement, with each State eligible to receive its share of a ceiling amount specified in the law. The statutory ceilings have been: $2.4 billion in fiscal year 1982; $2.575 billion in fiscal year 1983 (with $225 million of this amount available in either for use in either 1983 or 1984); $2.7 billion in 1984; $2.725 billion in 1985 (with $25 million earmarked for training of child care providers, licensing officials and parents, including training in the prevention of child abuse); $2.584 billion in 1986 (the $2.7 billion ceiling was reduced by $116 million because of sequestration of funds under the Gramm-Rudman-Hollings legislation); $2.7 billion in 1987; $2.750 billion in 1988 ($50 million was never appropriated); and $2.7 billion in 1989. An amendment included in the Omnibus Budget Reconciliation Act of 1989 (P. L. 101-239) increased the ceiling to $2.8 billion for fiscal year 1990 and years thereafter. (The $2.8 billion ceiling was reduced to $2,763 million for 1990 as a result of sequestration required by P.L. 101-239.)

Allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no Federal family income requirements, and no fee requirements. Income standards and fees may be imposed at State discretion.

### PROPOSED LEGISLATION

The fiscal year 1991 budget request for the title XX social services block grant program is $2.8 billion, the permanent entitlement level.

# Chart 11.—CHILD CARE

[In billions of dollars]

| | Fiscal year— | |
|---|---|---|
| | 1990 | 1991 |
| Present law: | | |
| Title XX [1] | .6 | .6 |
| Services for welfare families [2] | .2 | .5 |
| Child welfare services | NA | NA |
| Dependent care tax credit | 3.9 | 4.2 |
| Exclusion for employer-provided dependent care | .2 | .3 |
| Total | 4.9 | 5.6 |

[1] Because of reporting deficiencies, it is not possible to determine how much of Federal title XX funding is used for child care. These numbers reflect a commonly used estimate (based on data from the late 1970's and early 1980's) that over 20 percent of title XX funds are used for this purpose.

[2] Includes amounts for child care provided to participants in employment and training programs, the AFDC child care disregard, and child care for recipients making the transition from welfare to work.

NA: Not available.

## Chart 11

## Child Care

Legislation under the jurisdiction of the Committee on Finance is the source of funding for most of the child care paid for by the Federal Government. This includes child care provided under the title XX social services program; several AFDC-related programs; the title IV–B child welfare services program; and two provisions of the Internal Revenue Code: the dependent care credit and the exclusion for employer-provided dependent care. (Other major Federal programs not under the jurisdiction of the Committee are Head Start, funded at $1.4 billion in 1990, and the child care and summer food programs, funded at about $.9 billion in 1990).

*Child care under title XX.*—The Omnibus Budget Reconciliation Act of 1981 replaced the former Federal-State social services matching program with a new social services block grant program that provides Federal entitlement funds (without a State matching requirement) for a wide range of social services. Although States are not required to provide data showing how their title XX funds are spent, available information indicates that nearly all States use part of these funds to provide child care services. Data for 1981, the last year for which detailed reporting is available, indicated that 28 percent of title XX funds was spent for child care. Data collected by the American Public Welfare Association for 1985 showed that a total of $1.1 billion in Federal and State funds was used for this purpose.

States have broad flexibility under the block grant authority to decide who is eligible for services, the amount of any child care subsidy, how the care is to be provided (for example, through vouchers, reimbursement, or direct provision of care), and whether to charge fees for services. (See the section on Social Services for more information on this program.)

*Child care for welfare recipients.*—There are three ways in which recipients of Aid to Families with Dependent Children may receive assistance with child care needs.

(1) Child care for individuals in education, employment, and training programs.—The Family Support Act of 1988 provides for replacing the existing work incentive and other work-related programs with a new JOBS program, which States must implement by October 1, 1990, and may implement as early as July 1, 1989. Under JOBS, State welfare agencies must guarantee child care to the extent that it is determined by the agency to be necessary for an individual's employment. Agencies must also guarantee child care needed by caretakers engaged in education and training activities (including participation in JOBS) if the agency approves the activity and determines that the individual is satisfactorily participating in the activity.

Federal matching is at the Medicaid rate (50–83 percent on an open-ended entitlement basis). The State may provide care by use of contract, vouchers, direct provision of care, or any other arrangement of its choosing. Reimbursement for the cost of care with respect. to a family is the lesser of (a) the actual cost of care; and (b) the dollar amount of the child care disregard for which the family is otherwise eligible; or (if higher) an amount established by the State. In no case may reimbursement exceed applicable local market rates. Child care must meet applicable standards of State and local law. CBO estimates that States will spend $115 million in Federal matching funds for child care for JOBS participants in 1990 and $215 million in 1991.

(2) Transitional child care services.—Under the Family Support Act of 1988, beginning April 1, 1990, the State welfare agency must guarantee child care to the extent the care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive assistance as a result of increased hours of, or increased income from employment, or as a result of the loss of earnings disregards. Federal matching rates, dollar limitations, standards and methods of providing care are the same for transitional assistance as under the JOBS program. Care is limited to 12 months after the last month for which the family received assistance. The family must contribute to the cost of care in accordance with a sliding scale formula based on ability to pay, established by the State. CBO estimates that States will spend $25 million in Federal matching funds for transitional child care services in 1990 and $205 million in 1991.

(3) Child care disregard.—Under prior law, in determining eligibility for and amount of AFDC benefits, a State was required to disregard actual expenses up to $160 a month per child for day care. The Family Support Act of 1988 provided for an increase in the amount of the child care disregard to $175 a month ($200 in the case of a child under age 2), and also provided that the child care disregard must be calculated after other disregard provisions have been applied. These changes became effective October 1, 1989. Estimated expenditures under the child care disregard provisions are unavailable.

*Child welfare services.*—States may use child welfare services funds to provide child care services. Funds may also be used to pay for activities relating to the establishment and monitoring of child care standards. (Estimates for expenditures for child care under this program are not available.)

*Dependent care credit and exclusion for employer-provided care.*—A nonrefundable income tax credit is allowed for up to 30 percent of a limited dollar amount of employment related child or dependent care expenses (Internal Revenue Code sec. 21). Eligible employment expenses are limited to $2,400 in the case of one qualifying individual ($4,800 in the case of two or more qualifying individuals). The 30 percent credit rate is reduced by one percentage point for each $2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between $10,000 and $28,000. The credit rate is 20 percent for taxpayers with AGI in excess of $28,000.

The term "qualifying individual" means (1) a dependent of the taxpayer who is under age 13 and with respect to whom the tax-

payer is entitled to claim a dependent exemption, (2) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or (3) a spouse of the taxpayer if the spouse is physically or mentally incapable of caring for himself.

Section 129 of the code also provides a dependent care exclusion which is intended to provide an incentive for employers to provide dependent care benefits to their employees. Amounts paid or incurred by an employer for dependent care assistance provided to an employee generally are excluded from the employee's gross income if the assistance is furnished under a program meeting certain requirements. These include requirements that the program is in writing and satisfies certain nondiscrimination rules, and that reasonable notification of the program is provided to eligible employees. With respect to any taxpayer (including a married couple filing a joint return), the dependent care exclusion is limited to $5,000 a year ($2,500 in the case of a separate return by a married individual).

The Family Support Act of 1988 included an amendment providing that the dollar amount of expenses eligible for the dependent care credit of any taxpayer will be reduced, dollar for dollar, by the amount of expenses excludable from that taxpayer's income under the dependent care exclusion.

For example, assume that a taxpayer with one child incurs $6,000 of child care expenses during a taxable year, $3,000 of which is excluded from the taxpayer's income because the expenses are reimbursed under an employer-provided dependent care assistance program. Under the law as amended in 1988, the amount of expenses otherwise eligible for the dependent care credit ($2,400 in the case of one qualifying individual) is reduced, dollar for dollar, by the amount excluded under the dependent care assistance program. Because the amount excluded under the dependent care assistance program ($3,000) exceeds the expenses eligible for the dependent care credit ($2,400), no dependent care credit could be claimed for the taxable year. On the other hand, if the amount of excludable dependent care reimbursed by the employer was $1,000, then $1,400 of expenses ($2,400 minus $1,000) would be eligible for the dependent care credit. This provision is effective for taxable years beginning after December 31, 1988.

### PROPOSED LEGISLATION

The Bush budget includes a proposal for a new tax credit of up to $1,000 for each child under age 4 in low income working families. This credit would be available to families in which at least one parent works regardless of whether the family incurs any costs for child care services. For each child under the age of four, families could receive a credit equal to 14 percent of wages, with a maximum credit equal to $1,000 per child. In 1991, the credit would be phased out between $8,000 and $13,000 in income. This phaseout range would increase to between $15,000 and $20,000 by 1995. The credit would be refundable. Families would have the option of receiving the refund in advance through a payment added to their paycheck (reverse withholding).

The existing dependent care credit would also be made refundable. Families that meet eligibility criteria for both the dependent

care credit and the new child credit could claim whichever credit best suits their needs and circumstances for each child.

Estimates by the staff of the Joint Committee on Taxation for the cost of the proposals are as follows:

CHILD TAX CREDIT PROPOSALS—COSTS [1]

[In billions of dollars]

| | Fiscal year— | | | | Total 1991–1994 |
|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | |
| Child tax credits | 2.2 | 2.4 | 2.5 | 2.8 | 10.1 |

[1] Estimates for the Administration's tax credits reflect an effective date of 1990; estimates assuming implementation in 1991 are not available.

The Family Support Act authorized $13 million for each of fiscal years 1990 and 1991 for grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to AFDC children. The Administration's budget includes $13 million for these purposes for 1991.

# Chart 12.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

| | Fiscal year— | |
|---|---|---|
| | 1990 | 1991 |
| Present law: | | |
| Total SSI outlays | [1] 12 | 14 |

[1] Includes 11 monthly payments, compared to 12 monthly payments in 1991.
Source: Congressional Budget Office.

## Chart 12

### Supplemental Security Income

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general revenues. The law establishing the SSI program permits the temporary use of the social security trust funds to meet the administrative costs of the program, but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by an appropriation from general revenues.

Under present law, the average number of recipients receiving federally-administered SSI payments is estimated by the Administration to be as follows:

[In thousands]

| | Fiscal year— | | |
|---|---|---|---|
| | 1989 | 1990 est. | 1991 est. |
| Aged | 1,239 | 1,238 | 1,214 |
| Blind and disabled | 2,870 | 2,986 | 3,068 |
| Total Federal | 4,109 | 4,224 | 4,282 |
| State supplementation only | 375 | 381 | 384 |
| Total SSI recipients | 4,484 | 4,605 | 4,666 |

The maximum Federal monthly payment in calendar year 1990 is $386 for an individual, and $579 for a couple. Annual adjustments are made in January to reflect increases in the cost of living. CBO estimates a January 1991 COLA of 4.1 percent.

CBO estimates Federal program outlays as follows:

[In millions of dollars]

| | Fiscal year— | | |
|---|---|---|---|
| | 1989 | 1990 est. | 1991 est. |
| Federal benefits | 11,483 | 11,329 | 13,259 |
| Beneficiary services | 19 | 28 | 28 |

[In millions of dollars]—Continued

| | Fiscal year— | | |
|---|---|---|---|
| | 1989 | 1990 est. | 1991 est. |
| Administration | 1,051 | 1,090 | 1,158 |
| Research and Demonstration | 1 | 2 | 2 |
| Total | 12,555 | 12,449 | 14,477 |

## PROPOSED LEGISLATION

The Administration's budget includes one proposal to reduce costs in the SSI program.

SUPPLEMENTAL SECURITY INCOME—SAVINGS

[In millions of dollars]

| | Fiscal year— | | | | | 5-year total |
|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | |
| Administration fee [1] | −55 | −110 | −165 | −165 | −165 | −660 |

[1] Administration estimate. No independent CBO estimate available.

Under present law, States may choose to supplement the Federal payment and have these supplements administered by SSA. SSA currently administers the supplementation programs for 17 States and the District of Columbia. Currently there is no provision in the statute allowing SSA to charge a fee for administering these programs.

The Administration's budget proposes to assess a fee from States for administration of State supplementation programs. Details of how the fees would be assessed are still to be worked out, but, according to the Administration, the fee that a State must pay will generally reflect the total amount of the State's supplementary benefits.

## CHART 13.—HEALTH PROGRAMS: CURRENT LAW SPENDING

[In billions of dollars]

| | Fiscal year— | | | | | | 5-Year total (1991–95) |
|---|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | |
| **MEDICARE OUTLAYS** | | | | | | | |
| Part A | 63.9 | 67.5 | 75.5 | 83.2 | 91.4 | 99.8 | 417.5 |
| Part B | 43.4 | 49.3 | 57.1 | 65.2 | 74.1 | 83.7 | 329.4 |
| Less Beneficiary premiums | 11.6 | 11.9 | 12.6 | 13.4 | 14.2 | 15.0 | 67.1 |
| Total | 95.6 | 104.9 | 120.0 | 135.0 | 151.4 | 168.6 | 679.9 |
| Hospitals | 54.7 | 60.2 | 66.7 | 73.7 | 81.2 | 88.9 | 370.6 |
| Physicians | 26.5 | 29.5 | 33.6 | 37.7 | 42.0 | 46.5 | 189.3 |
| Other | 26.1 | 27.2 | 32.3 | 37.0 | 42.3 | 48.2 | 187.0 |
| Less Beneficiary premiums | 11.6 | 11.9 | 12.6 | 13.4 | 14.2 | 15.0 | 67.1 |
| Total | 95.6 | 104.9 | 120.0 | 135.0 | 151.4 | 168.6 | 679.9 |
| **MEDICAID OUTLAYS** | | | | | | | |
| Federal expenditures | 39.5 | 45.1 | 50.8 | 56.8 | 63.3 | 70.5 | 286.6 |
| State costs | 29.6 | 33.0 | 36.6 | 41.0 | 45.6 | 50.8 | 207.0 |
| Total | 69.1 | 78.2 | 87.4 | 97.8 | 108.9 | 121.3 | 493.6 |
| **MATERNAL AND CHILD HEALTH BLOCK GRANT** | | | | | | | |
| Federal expenditures | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 3.1 |
| State costs | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 2.0 |
| Total | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | 5.1 |

Source: Congressional Budget Office estimates.

## Chart 13

## Health Programs

### MEDICARE

Medicare is a nationwide health insurance program for 33 million aged and disabled individuals. It is authorized by Title XVIII of the Social Security Act and consists of two parts. Part A, the Hospital Insurance Program, provides protection against the costs of inpatient hospital services, skilled nursing facility services, home health care and hospice care. Part B, the Supplemental Medical Insurance program, is a voluntary program which provides protection against the costs of physicians' services and other medical services.

The Congressional Budget Office estimates that under current law, spending for the Medicare program in FY 1991 will be $116.8 billion, of which $67.5 billion is for part A and $49.3 billion is for part B. The CBO estimates that basic premiums collected from Medicare participants in FY 1991 will total $11.9 billion. Spending for program administration will be $2.8 billion for FY year 1991, about 2.4 percent of the total.

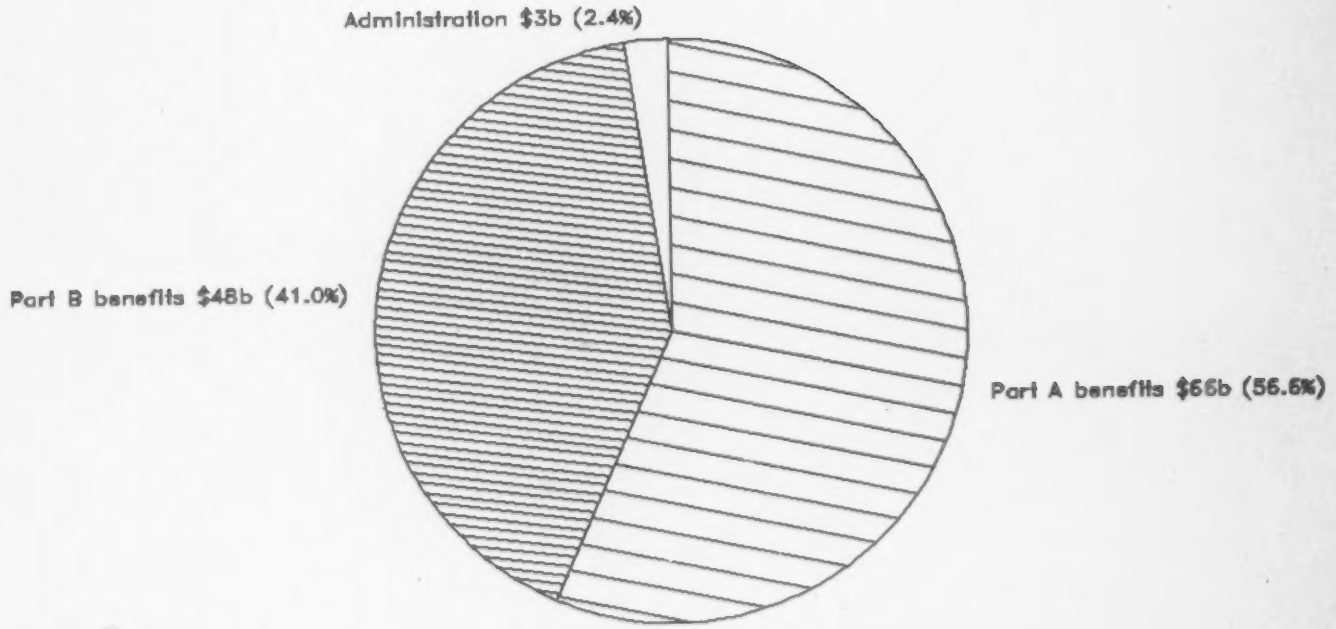
### MEDICAID

Medicaid is a Federally-aided, State-designed and administered program, authorized by Title XIX of the Social Security Act, which provides medical assistance for certain low-income persons. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. The Federal government's share of Medicaid expenditures is tied to a formula inversely related to the per capita income of the State. Federal matching for services varies from 50 percent to 78 percent. Administrative costs are generally matched at 50 percent except for certain items which are subject to higher matching rates.

Recent budget reconciliation acts have expanded Medicaid's coverage for pregnant women and young children. Pursuant to the Omnibus Budget Reconciliation Act of 1989 (P.L. 101–239), States are required, as of April 1, 1990, to cover all pregnant women and children up to age six with family incomes up to 133 percent of the Federal Poverty Level ($14,045 for a family of three). At their option, States may cover pregnant women and infants (up to age one) with family incomes up to 185 percent of the Federal Poverty Level ($19,536 for a family of three).

# Fiscal Year 1991 Medicare Outlays

Current Law




SOURCE: CBO estimates

NOTE: Figures do not reflect offsetting income from beneficiary premiums

CBO estimates total Federal-State Medicaid costs for FY 1991 under current law to be $78.2 billion. Of this amount, the Federal share is $45.1 billion. The States' share of total Medicaid expenditures for FY 1991 is estimated at $33.0 billion.

### MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorized the Maternal and Child Health Services Block Grant, which provides funding to States for the following programs: maternal and child health and services for children with special health care needs, rehabilitation for disabled children receiving supplemental security income, lead-based paint poisoning prevention, genetic disease, sudden infant death syndrome, hemophilia, and adolescent pregnancy. Under the Title V block grant, States determine the level of services provided. Typically, States have supported health services such as well-child checkups and services in maternity clinics. Public Law 97-35 created the block grant by adding the functions listed above to maternal and child health and crippled children's services. The Federal/State matching requirements were also changed and now require the States to spend 75 cents to receive a dollar.

In the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239), the Title V block grant program was amended to authorize appropriations up to $686 million in FY 1991 and each year thereafter, an increase of $125 million over previous authorization. For appropriations not in excess of $600 million, the Secretary of Health and Human Services is to retain 15% to carry out various projects and programs, including special projects of regional and national significance, and screening of newborns for sickle cell anemia and other genetic disorders. The remainder of amounts not in excess of $600 million is available for allotment to the States. Of the amounts appropriated above $600 million, the Secretary is to retain 12.75 percent to support infant mortality projects and outpatient and community-based services for children with special health care needs. The remainder is available to the Secretary and the States in accordance with the current formula (15 and 85 percent, respectively). States are required to use at least 30% of their funds for preventive and primary care services for children, and at least 30% for children with special health care needs.

### HISTORICAL SPENDING TRENDS

CBO estimates that between 1985 and 1989, Medicare spending will have grown 35 percent, from $71.4 billion to $96.5 billion. Spending for Part B services has grown more rapidly, increasing 68 percent compared with 19.5 percent for services under part A of the program.

Medicaid spending over the same five-year period increased 52.4 percent, from $22.7 billion to $34.6 billion. Funding for the Maternal and Child Health Block Grant was $478 million in 1985, and grew to $554 million in 1989, an increase of 15.9 percent. The authorization level for fiscal year 1991 is $686 million.

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## HEALTH PROGRAMS: HISTORICAL SPENDING

[Dollars in billions]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1985 | 1986 | 1987 | 1988 | 1989 |
| **MEDICARE** | | | | | |
| Part A | $48.7 | $49.7 | $50.8 | $52.7 | $58.2 |
| Percent change | | 2.1 | 2.3 | 3.8 | 10.4 |
| Part B | $22.7 | $26.2 | $30.8 | $34.9 | $38.2 |
| Percent change | | 15.3 | 17.6 | 13.3 | 9.4 |
| Total | $71.4 | $75.9 | $81.6 | $87.7 | $96.5 |
| Percent change | | 6.3 | 7.6 | 7.4 | 10.0 |
| **MEDICAID** | | | | | |
| Total | $22.7 | $25.0 | $27.4 | $30.5 | $34.6 |
| Percent change | | 10.3 | 9.8 | 11.0 | 13.6 |
| **MATERNAL AND CHILD HEALTH** | | | | | |
| Total (in millions) | $478 | $457 | $497 | $527 | $554 |
| Percent change | | −4.4 | 8.8 | 6.0 | 5.1 |

Source: Congressional Budget Office.

## CHART 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS

[In millions of dollars]

| | | Fiscal year— | | | | | 5-Year total |
|---|---|---|---|---|---|---|---|
| | | 1991 | 1992 | 1993 | 1994 | 1995 | |
| **MEDICARE PART A** | | | | | | | |
| Reduce hospital capital (urban) | OMB | −1,360 | −1,720 | −1,880 | −2,050 | −2,220 | −9,230 |
| | CBO | −1,200 | −1,510 | −1,670 | −1,845 | −2,040 | −8,265 |
| Reduce hospital capital (rural) | OMB | −170 | −210 | −230 | −250 | −270 | −1,130 |
| | CBO | −115 | −145 | −160 | −180 | −195 | −795 |
| PPS update factor | OMB | −640 | −820 | −890 | −920 | −1,020 | −4,290 |
| | CBO | −590 | −730 | −810 | −890 | −950 | −3,970 |
| Reduce indirect medical education | OMB | −1,030 | −1,300 | −1,420 | −1,540 | −1,680 | −6,970 |
| | CBO | −1,030 | −1,300 | −1,450 | −1,600 | −1,750 | −7,150 |
| Cap resident-to-bed ratios | OMB | −10 | −10 | −10 | −10 | −10 | −50 |
| | CBO | −40 | −45 | −50 | −50 | −55 | −240 |
| Eliminate return on equity for SNFs | OMB | −70 | −80 | −80 | −80 | −90 | −400 |
| | CBO | −35 | −40 | −40 | −45 | −45 | −205 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Physician assistant offset | OMB | −5 | −10 | −10 | −10 | −10 | −45 |
| | CBO | −5 | −10 | −10 | −10 | −10 | −45 |
| Medicare Part A Total | OMB | −3,285 | −4,150 | −4,520 | −4,860 | −5,300 | −22,115 |
| | CBO | −3,035 | −3,780 | −4,190 | −4,620 | −5,045 | −20,670 |
| **MEDICARE PART B** | | | | | | | |
| Freeze update for nonprimary services [1] | OMB | −325 | −500 | −600 | −700 | −775 | −2,900 |
| | CBO | −330 | −550 | −620 | −690 | −760 | −2,950 |
| Overvalued procedures | OMB | −110 | −180 | −210 | −240 | −260 | −1,000 |
| | CBO | −120 | −195 | −220 | −245 | −270 | −1,050 |
| Overvalued localities | OMB | −50 | −80 | −100 | −110 | −120 | −460 |
| | CBO | −50 | −80 | −100 | −110 | −120 | −460 |
| Limit radiology fee schedule | OMB | −110 | −205 | −235 | −265 | −295 | −1,110 |
| | CBO | −95 | −160 | −180 | −200 | −220 | −855 |
| Limit anesthesiology payments | OMB | −120 | −220 | −240 | −270 | −310 | −1,160 |
| | CBO | −115 | −195 | −220 | −245 | −270 | −1,045 |
| Limit payments for surgical global fees | OMB | −50 | −90 | −100 | −110 | −120 | −470 |
| | CBO | −40 | −70 | −75 | −85 | −95 | −365 |
| Offset payments for assistants at surgery | OMB | −120 | −160 | −180 | −200 | −220 | −880 |
| | CBO | −135 | −150 | −170 | −190 | −210 | −855 |

## CHART 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS—Continued

[In millions of dollars]

| | | Fiscal year— | | | | | 5-Year total |
|---|---|---|---|---|---|---|---|
| | | 1991 | 1992 | 1993 | 1994 | 1995 | |
| New physicians | OMB | −50 | −80 | −100 | −110 | −120 | −460 |
| | CBO | −55 | −105 | −130 | −145 | −160 | −595 |
| Limit technical components | OMB | −60 | −100 | −100 | −120 | −140 | −520 |
| | CBO | −20 | −30 | −35 | −40 | −45 | −170 |
| Reduce hospital outpatient payments | OMB | −570 | −770 | −900 | −1,050 | −1,210 | −4,500 |
| | CBO | −550 | −725 | −855 | −1,005 | −1,175 | −4,310 |
| Reduce outpatient capital | OMB | −100 | −130 | −150 | −170 | −200 | −750 |
| | CBO | −190 | −225 | −265 | −310 | −365 | −1,355 |
| Enteral-parenteral fee schedule | OMB | −10 | −15 | −20 | −20 | −20 | −85 |
| | CBO | −10 | −15 | −15 | −15 | −20 | −75 |
| Update DME fee schedule | OMB | −20 | −30 | −30 | −40 | −40 | −160 |
| | CBO | −35 | −65 | −80 | −90 | −100 | −370 |
| Limit oxygen payments | OMB | −20 | −30 | −40 | −40 | −40 | −170 |
| | CBO | −20 | −35 | −40 | −45 | −50 | −190 |
| Limit rental payments for DME | OMB | −90 | −140 | −160 | −170 | −190 | −750 |
| | CBO | −135 | −230 | −255 | −285 | −320 | −1,225 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| National DME payment limit | OMB | −110 | −200 | −220 | −250 | −270 | −1,050 |
| | CBO | −110 | −190 | −210 | −235 | −265 | −1,010 |
| Clinical laboratory services | OMB | −60 | −110 | −130 | −150 | −170 | −620 |
| | CBO | −85 | −145 | −170 | −190 | −215 | −805 |
| Prior authorization | OMB | −64 | −66 | −68 | −70 | −71 | −339 |
| | CBO | −15 | −30 | −35 | −40 | −45 | −165 |
| Permanent floor on premiums at 25% | OMB | 0 | −673 | −1,751 | −3,129 | −4,808 | −10,361 |
| | CBO | 2 | −548 | −1,667 | −3,012 | −4,517 | −9,742 |
| Medicare Part B Total | OMB | −2,039 | −3,779 | −5,334 | −7,214 | −9,379 | −27,745 |
| | CBO | −2,108 | −3,743 | −5,342 | −7,177 | −9,222 | −27,592 |
| **MEDICARE PARTS A AND B** | | | | | | | |
| Reduce direct graduate medical education | OMB | −205 | −215 | −240 | −250 | −270 | −1,180 |
| | CBO | −160 | −190 | −195 | −205 | −215 | −965 |
| ESRD Secondary payer | OMB | −30 | −40 | −40 | −50 | −50 | −210 |
| | CBO | −45 | −50 | −55 | −60 | −60 | −270 |
| State and local employee offset | OMB | 0 | 0 | 0 | 0 | 0 | 0 |
| | CBO | * | 2 | 7 | 15 | 25 | 49 |

## CHART 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS—Continued

[In millions of dollars]

| | | Fiscal year— | | | | | 5-Year total |
|---|---|---|---|---|---|---|---|
| | | 1991 | 1992 | 1993 | 1994 | 1995 | |
| HMOs at 100% AAPCC | OMB | 180 | 255 | 275 | 300 | 325 | 1,335 |
| | CBO | 190 | 270 | 295 | 335 | 370 | 1,460 |
| Medicare Parts A and B Total | OMB | −55 | 0 | −5 | 0 | 5 | −55 |
| | CBO | −15 | 32 | 52 | 85 | 120 | 274 |
| **GRAND TOTAL MEDICARE** | OMB | −5,379 | −7,929 | −9,859 | −12,074 | −14,674 | −49,915 |
| | CBO | −5,158 | −7,491 | −9,480 | −11,712 | −14,147 | −47,988 |
| **MEDICAID** | | | | | | | |
| Expand managed care | OMB | 25 | 95 | 25 | 0 | 0 | 145 |
| | CBO | 10 | 50 | 10 | 0 | 0 | 70 |
| Effect of Medicare proposals | OMB | 0 | 65 | 150 | 255 | 380 | 850 |
| | CBO | −40 | −25 | 60 | 150 | 255 | 400 |
| TOTAL MEDICAID | OMB | 25 | 160 | 175 | 255 | 380 | 995 |
| | CBO | −30 | 25 | 70 | 150 | 255 | 470 |

[1] OMB estimate revised after President's budget submitted.
* Less than $1 million.

## Chart 14

## Health Programs: Administration Proposals

### MEDICARE

The Administration budget proposes to reduce outlays and increase premiums under the Medicare program for fiscal year 1991 by $5.158 billion. This amount includes $3.035 in reduced payments to providers under Part A, and $2.108 billion in payment reductions and premium changes under Part B. It does not include increased revenue to the Hospital Insurance Trust Fund associated with proposals to include State and local government workers under Medicare. (See section on revenue). All estimates have been prepared by the Congressional Budget Office. Table 14 compares Administration and CBO estimates of Medicare savings proposals. Unless otherwise specified, the proposals are legislative, rather than regulatory, in nature.

Of the $5.158 billion in Medicare spending cuts, $3.9 billion, or 75 percent, would come from reducing payments to hospitals for both inpatient and outpatient services. Payments to physicians would be reduced roughly $990 million, less than 20 percent of the total.

### MEDICARE PART A

The Administration budget proposes to reduce outlays under part A of the Medicare program by $3.035 billion for FY 1991.

*1. Reduce payments for hospital capital costs.*—The Administration budget proposes to reduce hospital capital payments by 15 percent for hospitals in rural areas and 25 percent for hospitals in urban areas for fiscal year 1991 and beyond. Budget reconciliation legislation reduced capital payments beginning in fiscal year 1987. The reduction was 15 percent in both fiscal years 1989 and 1990; urban and rural hospitals have been subject to the same reduction. As under current law, the Administration proposal would exempt hospitals designated as sole community hospitals. Fiscal year 1991 savings from this proposal would be $1.315 billion. Of this, $115 million would come from rural hospitals and $1.2 billion from urban hospitals. **(—$1.315 billion in FY 1991)**

*2. Prospective Payment System (PPS) update factor.*—Under current law, the update factor for fiscal year 1991 and subsequent years is equal to the increase in the market basket, which measures inflation in the price of goods and services that hospitals purchase. The Administration proposes that the fiscal year 1991 update factor for all hospitals under the prospective payment system be equal to the market basket minus 1.5 percent, a total increase estimated by CBO to be 3.3 percent. Under the 5.6 percent market basket assumed in the President's budget, the total update would be 4.1 percent. The Administration's market basket forecast

may change before the final regulation implementing the update factor is issued.

In its March 1st report, ProPAC will recommend updates averaging market basket minus 0.5 percent. The recommended update for rural hospitals will be market basket plus 2.1 percent; for urbans it will be market basket minus 0.9 percent. The separate urban and rural updates are the first part of a recommended three-year phase-out of the difference between the rural and "other urban" standardized amounts. **(—$590 million in FY 1991)**

*3. Reduce payments for indirect medical education expenses.*—Medicare pays teaching hospitals an additional amount for the indirect costs associated with training interns and residents. The Administration proposal would reduce the factor used to calculate the indirect teaching adjustment from 7.7 percent to 4.05 percent. GAO estimates that an adjustment between 3.73 and 6.26 percent would be justified. CBO estimates a range from 3 to 7 percent. In its March 1st report, ProPAC will recommend that the adjustment be lowered to 6.8 percent, with the savings redistributed in higher basic payment rates for all hospitals. **(—$1.03 billion in FY 1991)**

*4. Reduce payments to teaching hospitals by capping intern- and resident-to-bed ratios at FY 1989 levels.*—The indirect medical education adjustment is computed by applying a formula to each hospital's ratio of interns and residents to beds. The ratio is updated each year. The Administration proposal would cap each hospital's intern to bed ratio at its 1989 level. **(—$40 million in FY 1991)**

*5. Eliminate return-on-equity payments for skilled nursing facilities.*—Under Medicare's cost-based reimbursement system for skilled nursing facilities, for-profit facilities receive a return on equity payment. Equity is defined as capital used for patient care, net of depreciation, including loans from investors. The rate of return is equal to the interest rate earned by the Hospital Insurance Trust Fund. The Administration proposes to eliminate these payments. **(—$35 million in FY 1991)**

*6. Physician assistant offset.*—OBRA 86 authorized direct payment for physician assistant services if they are performed under the supervision of a physician in a hospital or nursing home. It also authorized the Secretary to apply offsetting reductions in payments to hospitals and nursing homes in order to avoid duplicate payment when the physician assistant is directly reimbursed. The Administration proposes to apply an offset to hospitals, on a hospital-specific basis. Hospitals located in both urban and rural manpower shortage areas would be exempt from the offset. The Administration may pursue a regulatory route for this proposal. **(—$5 million in FY 1991)**

### MEDICARE PART B

The Administration proposes to reduce outlays under part B of the Medicare program by $2.108 billion for FY 1991.

*1. Freeze update for non-primary services.*—Under current law, Medicare payment for physicians' services is based upon the lower of the actual charge, the customary charge, or the prevailing charge in an area. The customary charge of a physician for a service is the amount he or she most frequently charges for that service. The prevailing charge for a service is the amount that will

cover 75 percent of the customary charges for the service in an area.

Customary charges are updated to reflect changes in a physician's actual charges for a service. While prevailing charges are updated to reflect changes in customary charges in an area, the annual increase in prevailing charge levels is limited to the projected increase in the Medicare economic index (MEI) for the year involved. The MEI increase for 1991 is projected by CBO to be 4.1 percent and by the Administration to be 3.5 percent.

The Administration budget proposes to allow full updates for customary and prevailing charge levels for primary care services (home, office, nursing home, and emergency room visits) and to freeze customary and prevailing charges for other physicians' services for 1991.

The proposal would also consolidate customary and prevailing charge screens in a budget-neutral manner for 1991. **(—$330 million in FY 1991)**

*2. Payment reductions for overvalued services.*—The prevailing charge levels for some physicians' services exceed the estimated payment amounts for those services under a national fee schedule derived from a resource-based relative value scale. The Omnibus Budget Reconciliation Act of 1989 (OBRA '89) provides for establishment of such a fee schedule beginning in 1992.

As part of the transition to the fee schedule, OBRA '89 reduced payments for "overvalued" services by one-third of the difference between the prevailing charge and the estimated fee schedule amount for the service, subject to a 15 percent maximum reduction. A service was classified as overvalued if its national weighted average prevailing charge exceeded the estimated fee schedule amount by 10 percent or more.

The Administration budget proposes further reductions in payments for overvalued services, with reductions equal to two-thirds of the remaining difference between the prevailing charge and the estimated fee schedule amount for the service, subject to a 25 percent limit. A procedure would be classified as overvalued if its prevailing charge exceeds the estimated fee schedule amount by 5 percent or more. **(—$120 million in FY 1991)**

*3. Reduce payments for overvalued localities.*—The current system of paying for physicians' services under Medicare is based upon the historical pattern of charges for a service in an area, subject to certain limits. As a result, payment for the same service may vary from one locality to another to a degree not warranted by geographic variations in the cost of furnishing the service.

The Administration budget proposes to reduce payment for a service by the full amount of the difference between the prevailing charge in the locality and the national average prevailing charge, adjusted by a geographic practice cost index (GPCI). Reductions would be subject to a 25 percent limit.

This provision would not apply to any service that is (1) subject to reduction under the Administration's overvalued services proposal or its proposals relating to radiology or anesthesiology services or diagnostic tests, (2) a low-volume service, or (3) expected to be reimbursed at a higher average level under the resource-based

fee schedule mandated by physician payment reform. **(—$50 million in FY 1991)**

*4. Reduce radiology and anesthesiology fees.*—Radiologist services are reimbursed under a fee schedule that is based upon a relative value scale. Payment covers both the physician's professional services (the "professional component") and the equipment, technical resources, and supplies needed to furnish the service (the "technical component"). Anesthesia services are also paid under a resource-based fee schedule.

While the relative value of a service does not vary geographically under either of these fee schedules, each locality has a separate "conversion factor" that is based upon the historical pattern of charges for covered services in that locality. (A conversion factor is a dollar amount that, when multiplied by the relative value of a service, produces the payment amount.) As a result, payment for a service will vary from one locality to another in a manner that reflects historical variations in charges rather than variations in the costs of furnishing the service.

The Administration budget proposes to reduce fees under these fee schedules by the amount they exceed estimated payments under a resource-based fee schedule for all physicians' services. In the case of radiologist services, the reductions would apply to only to the professional component. (See item 7 for proposed limitations on reimbursement for the technical component.)

The fee schedule amount for a locality would be estimated by computing a national average conversion factor, reducing it by 10 percent, and adjusting it by the appropriate geographic practice cost index value for the locality involved. Reductions would be subject to a 25 percent limit.

In addition, the Administration proposes to pay the same amount for anesthesia services regardless of whether an anesthesiologist personally furnishes the service or medically directs a certified registered nurse anesthetist (CRNA) who furnishes the service. In the latter case, payment to the anesthesiologist would be limited to the difference between the amount that would be payable if the anesthesiologist personally performed the service and the amount payable to the CRNA. **(—$210 million in FY 1991)**

*5. Payments for surgery and related services.*—Traditionally, Medicare has paid for surgical services on the basis of a "global" fee, which covers not only the operation but also certain pre- and post-operative services furnished by the surgeon. Among these services are in-hospital and post-hospital visits.

Under certain circumstances, Medicare will make an additional payment for the services of another physician or a physician assistant who serves as an assistant at surgery during an operation.

The Administration budget includes a proposal that would reduce surgical global fees to reflect a decrease in the average length of an inpatient hospital stay under Medicare, based upon a determination that the number of in-hospital visits by a surgeon would decrease with the length of stay. The reduction would be either a procedure-specific amount or, in the absence of procedure-specific data, a flat 2 percent.

The budget also proposes that Medicare pay the same amount for a surgery regardless of whether the surgeon utilizes the services of

an assistant at surgery. Any separate payments made to an assistant at surgery would be offset against the amount of the surgeon's allowed charge. (Payments for other services furnished by a physician assistant would be offset against hospital payments under item 6 of the Administration's part A proposals.) **(—$175 million in FY 1991)**

*6. Phase-in fee increases for new physicians.*—Medicare payment for physicians' services is based upon the lower of the actual charge, the customary charge, or the prevailing charge for a service in an area. The customary charge of a physician for a service is the amount most frequently charged by the physician for that service. The prevailing charge for a service is the amount that will cover 75 percent of the customary charges for the service in an area.

Under current law, the customary charge of a new physician is limited to a specified percentage of the prevailing charge for a service in an area. The percentage is 80 percent in the case of first-year physicians and 85 percent in the case of second-year physicians.

The Administration budget proposes to extend and make permanent this phase-in, with payment being limited to 90 and 95 percent of the allowable amount for third- and fourth-year physicians, respectively.

Until 1992, these percentages would be applied against prevailing charge levels. For 1992 and thereafter, they would be applied against the fee schedule amount determined under the resource-based relative value scale mandated by the physician payment reform proposal enacted in 1989.

Current law exceptions for primary care services and services furnished in a rural health manpower shortage area would be retained. **(—$55 million in FY 1991)**

*7. Technical component of radiology and diagnostic tests.*—Medicare payments for radiology services and other diagnostic tests cover both the physician's professional services (the "professional component") and the equipment, technical resources, and supplies needed to perform the test (the "technical component").

Under current law, the amount paid for the technical component of a radiology service or diagnostic test varies geographically based upon historical variations in the charges for the service.

The Administration budget includes a proposal to cap the amount paid for the technical component of a service or test in a locality at the national median among carriers for that component. **(—$20 million in FY 1991)**

*8. Voluntary hospital physician participation.*—Under current law, a physician may become a "participating physician" by agreeing to "accept assignment" for services furnished to Medicare beneficiaries; under this arrangement, the physician accepts the Medicare-allowable payment amount as payment-in-full for his or her services and may collect from the beneficiary only the applicable deductible and coinsurance amounts.

The Administration budget includes a proposal to permit a hospital to advertise itself as a "Medicare participating physician medical staff hospital" if it agrees to guarantee that assignment will be accepted for the following services furnished at the facility: emer-

gency services, radiology, anesthesia, and pathology services, and consultations. **($0 in FY 1991)**

*9. Reduce hospital outpatient payments.*—The Administration budget would reduce Medicare payments for certain outpatient hospital services (including payments for associated capital-related costs) by 10 percent.

In addition the capital-related costs of all outpatient hospital services would be reduced under the proposal. In the case of rural hospitals, the 15 percent reduction in effect during most of FY 1990 would be extended for FY 1991; in the case of urban hospitals, the reductions would be increased from the 15-percent level in effect for 1990 to 25 percent for FY 1991.

In the case of services subject to reduction under the first part of the proposal, the 10 percent reduction in associated capital-related costs would be netted against the 15 or 25 percent reduction required under the second part of the proposal, so that the total reduction in capital-related costs would not exceed 15 and 25 percent for rural and urban hospitals, respectively. **(—$740 million in FY 1991)**

*10. Durable medical equipment.*—Under current law, Medicare pays for durable medical equipment (DME) on a fee schedule basis, with geographic variation in the amount payable for the same item. There are six different fee schedules, one for each major category of DME. Between 1991 and 1993, regional fee schedules are to be phased in for three of the categories. Unless otherwise specified by law, the fee schedules are updated annually by the increase in the consumer price index (CPI).

The Administration budget proposes to limit payment for an item of DME to the national median of the fee schedule amounts payable for that item in different parts of the country. It would also eliminate the regional fee schedules provided under current law.

In addition, it would provide a full inflation update for 1991 only to the extent that the resulting fee is below the national median limit. Both CBO and the Administration estimate the inflation update for 1991 to be 3.6 percent.

It also proposes to change the basis for computing payments under one of the major categories of DME (which includes wheelchairs and hospital beds) from the average submitted charge during a base period to the average Medicare-allowable payment for that period. This proposal would also limit total rental payments for an item included in this category to 120 percent of the recognized price rather than 150 percent, as provided under current law.

In addition, it would reduce reimbursement for oxygen by 5 percent and provide rental payments for frequently serviced items for 15 months, after which a payment for maintenance would be made every 6 months.

Finally, the Administration proposes to establish a fee schedule for enteral nutrients and other supplies based upon wholesale and retail price information, as well as to revise reimbursement for enteral and parenteral equipment (primarily pumps and IV poles). **(—$310 million in FY 1991)**

*11. Competitive bidding for lab services and DME.*—The Administration budget indicates that the Health Care Financing Administration is giving "serious consideration" to implementing demonstration projects involving competitive bidding for clinical laboratory services and durable medical equipment.

A legislative moratorium on a competitive bidding demonstration project for clinical laboratory services expired at the end of 1989. A similar moratorium for durable medical equipment expires at the end of 1990. **($0 in 1991)**

*12. Clinical laboratory services.*—Clinical laboratory services are paid for by Medicare under statewide or carrierwide fee schedules. The fee for a particular service is subject to a national limit, currently set at 93 percent of the national median for all fee schedule amounts for that service. Unless otherwise specified by law, fee schedule amounts are updated annually by the percentage change in the CPI.

The Administration budget proposes to reduce the national limit to 90 percent for non-profile tests and 80 percent for profile and other standardized test packages.

In addition, it would provide a full inflation update for 1991 only to the extent that the resulting fee is below the applicable limit. CBO estimates that the full update for 1991 will be 4.4 percent, while the Administration projects an update of 4.1 percent. **(—$85 million in FY 1991)**

*13. Provide prior authorization authority to carriers.*—Claims submitted under part B of the Medicare program are processed and paid by organizations that are known as "carriers."

Under current law, peer review organizations (PROs) may require prior authorization of hospital admissions and certain surgical procedures. Carriers are not authorized to do this.

The Administration budget proposes to extend this authority to carriers, so that they might, for example, require prior authorization where a pattern of overutilization by a physician has been identified. **(—$15 million in FY 1991)**

*14. Part B premium.*—The part B premium was originally set at a level to cover 50 percent of program costs, but subsequently the increase in the premium from year to year was limited to the most recent percentage increase in Social Security cash benefits. As a result, the percentage of program costs covered by the premium dropped to 24 percent by 1981, and legislation was enacted to hold the premium at 25 percent of program costs through 1984. This provision was extended on a number of occasions, but will expire at the end of 1990.

The Administration budget would establish the part B premium at the greater of 25 percent of program costs or the previous year's premium, increased by the annual percentage increase in Social Security cash benefits. This provision would be permanent. **($2 million in 1991)**

### MEDICARE PARTS A AND B

Three of the Administration's Medicare proposals would affect outlays in both parts A and B of the program. CBO estimates a net savings from these proposals of $15 million. This amount reflects a net $—70 million savings from part A and $55 million in additional

costs under part B. CBO also estimates out-year costs associated with the proposed coverage of state and local employees under Medicare (see revenue section).

*1. Increase payments to HMOs.*—Under current law, a health maintenance organization (HMO) with a Medicare risk contract is paid, for each Medicare enrollee, an amount equal to 95 percent of the adjusted average per capita cost (AAPCC) for the class of beneficiaries to which the enrollee belongs. The AAPCC is computed by estimating the amount Medicare would pay to furnish covered services in an area to beneficiaries who are not enrolled in an HMO.

The Administration budget proposes to increase payments to these HMOs to 100 percent of the AAPCC, with part of this increase being offset by an incentive payment to the beneficiary. **($190 million in FY 1991)**

*2. Reduce payments for direct graduate medical education costs.*—Currently, the salaries and direct costs of training medical residents are reimbursed based on a hospital-specific average salary applied to the hospital's weighted average number of medical residents. The Administration proposes to replace the hospital-specific average salary with a national average salary amount. In addition, the proposal would weight primary care residents at 180 percent of the per-resident amount, and non-primary care residents in their initial residency period at 140 percent of the per-resident amount. These weighting factors are intended to encourage primary care residencies. **(−$160 million in FY 1991)**

*3. Extend ESRD secondary payor period.*—Under current law, Medicare is the secondary payor, for a 12-month period, for ESRD-eligible beneficiaries with employer-based health care insurance.

The Administration budget would extend the period during which employer-based coverage is primary from 12 to 18 months. **(−$45 million in FY 1991)**

### MEDICAID

The Administration budget includes a proposal that would increase Federal spending for FY 1991 under the Medicaid program by $10 million. This proposal would encourage States to develop managed care for Medicaid beneficiaries.

The proposed floor on Medicare Part B premiums and other changes in part B of Medicare are estimated by CBO to save the Medicaid program $40 over current law in FY 1991.

*1. Managed Care Initiative.*—As described below, there are three main aspects to the Administration's managed care proposal. All of these proposals would require legislative changes. **($10 million in FY 1991)**

*a. Matching rate modifications.*—Under this managed care proposal, States would receive an additional 3 percentage points in their Federal matching rate for the costs associated with Medicaid beneficiaries newly enrolled in managed care programs. Beginning in FY 1993, the States would receive the enhanced matching rate for all managed care expenditures.

Also beginning in 1993, States would receive reduced matching rates for most costs associated with care provided on a fee-for-service basis. Excepted from the reductions would be payments for

services in rural and medically underserved areas and in nursing facilities, and for services to certain high-risk beneficiaries, such as pregnant women and infants. The reduction would be limited to a maximum of 1 percentage point in FY 1993, 2 percentage points in FY 1994, and 3 percentage points in FY 1995 and beyond. The proposed reductions would not exceed the amount necessary to offset the nationwide costs of the increased matching rates for managed care expenditures.

*b. State option for certain mandated managed care programs.*—The Administration proposes to allow states to implement certain managed care programs through their Medicaid state plans without having to apply for a waiver. As part of this new state option, the Administration proposes that the Secretary be given the authority to conduct periodic quality reviews of the HMOs and other providers involved in the managed care option and to terminate their participation if quality standards are not met.

*c. Relaxation of enrollment requirements for certain Medicaid HMOs.*—The Administration proposes to make several changes in current eligibility requirements for certain Medicaid HMOs. First, for Medicaid HMOs that are publicly operated or are located in medically underserved areas, the Administration proposes to eliminate the requirement that 25% of enrollment be composed of patients not eligible for Medicare or Medicaid. Instead, the Secretary would conduct periodic quality reviews of these HMOs.

Second, for all HMOs, the Administration proposes to permit states to extend Medicaid HMO eligibility for one month following a beneficiary's disqualification for AFDC.

Finally, for "state-plan defined" HMOs, the Administration proposes to permit states to guarantee eligibility and restrict voluntary disenrollment (without cause) for up to six-months. (Currently, such eligibility requirements may be applied only to federally qualified HMOs.)

*2. Effect of Medicare Part B proposals.*—Since the Medicaid program pays the Medicare Part B premiums for low-income elderly and disabled Medicaid beneficiaries, the Administration's proposal to set a floor on Part B premiums and other proposed changes in part B will affect Federal Medicaid expenditures. **(—$40 million in FY 1991)**

### MEDICARE AND MEDICAID

*1. Survey and certification fees.*—The Administration proposes to begin charging health care facilities a fee for the costs of Medicare and Medicaid survey and certification. These fees, along with the fees collected pursuant the Clinical Laboratory Improvement Amendments of 1988 would be deposited in a Survey and Certification Revolving Fund.

### MATERNAL AND CHILD HEALTH BLOCK GRANT

The Maternal and Child Health Block Grant program is authorized at $686 million in FY 1991 and each year thereafter. In FY 1991, the Administration proposes to fund the Title V Block Grant at the same level as last year, $554 million. The Administration also proposes to spend an additional $25 million to fund a "one-stop shopping" initiative under a separate program. This program

would provide grants and technical assistance to States and community-based organizations to encourage them to simplify access to services for pregnant women and infants by coordinating or co-locating various health and social service programs. The total spending for the Title V Block Grant and the new grant program would be $578.6 million.

# Chart 15.—INTEREST

[In billions of dollars]

| | Fiscal year— | | |
|---|---|---|---|
| | 1991 | 1992 | 1993 |
| A. Administration Budget: | | | |
| Gross Interest: | | | |
| Interest on the public debt | 260 | 259 | 260 |
| Interest on tax refunds | 2 | 2 | 2 |
| Offsets: | | | |
| Interest paid to trust fund | 69 | 78 | 88 |
| Interest on Federal Financing Bank loans | 13 | 12 | 11 |
| Other offsetting interest | 7 | 7 | 7 |
| Net Interest | 173 | 163 | 157 |
| Federal Reserve Deposits | 21 | 21 | 21 |
| Budgetary impact of interest | 152 | 142 | 136 |
| B. CBO Baseline: | | | |
| Interest on the public debt | 272 | 287 | 304 |
| Net interest | 185 | 192 | 199 |

## Chart 15

### Interest

One of the budget accounts assigned to Finance Committee jurisdiction is the account entitled Interest on the Public Debt. This account reflects the total interest payments made on governmental securities. The major determinants of the amount of outlays for this account are the accumulated debt from prior years and the interest rate. To a lesser extent, the level of deficit for the current year also affects interest outlays. At current debt levels, a one percent change in interest rates would affect FY 1991 outlays in this category by about $11 billion.

The overall impact of interest on the budget deficit is offset by several factors shown on this chart. The largest offset is interest paid to trust funds. Since the income of trust funds is counted towards determining the "Gramm-Rudman-Hollings" deficit targets, the outlay effect of interest paid to trust funds is offset by the income effect of that same interest received by trust funds.[1] Other interest receipts and particularly interest on Federal Financing Bank loans also offset a portion of interest on the public debt. In addition, the budgetary impact of interest is further reduced by the fact that a portion of outstanding Federal securities are held by Federal Reserve Banks. The bulk of the interest earned on those securities is deposited back to the Treasury by the Federal Reserve.

[1] Although trust fund interest earnings are used to partially offset the outlays for interest on the public debt from a short-term budgetary perspective, those interest payments do represent a long-term commitment of the Federal Government to the trust fund program which ultimately will have to be redeemed to meet the needs of the program.

# CHART 16.—TRADE ADJUSTMENT; CUSTOMS USER FEES: ADMINISTRATION PROPOSALS

[In millions]

| | Fiscal year | | | Total |
|---|---|---|---|---|
| | 1991 | 1992 | 1993 | |
| End trade adjustment benefits | —181 | —222 | —238 | —641 |
| End customs user fees | —806 | —822 | —839 | —2,467 |

## Chart 16

## Trade Adjustment; Customs User Fees: Administration Proposals

### TRADE ADJUSTMENT ASSISTANCE

The Trade Adjustment Assistance (TAA) program provides benefits to workers laid off and firms injured on account of import competition. Under the program for workers, administered by the Labor Department, certified workers are entitled to cash payments essentially equivalent to extended unemployment insurance benefits. They may also receive job-search, relocation, and retraining assistance. The program for firms, administered by the Commerce Department, makes technical assistance available to approved firms.

The Omnibus Trade and Competitiveness Act of 1988 made substantial changes to the TAA program. With its enactment, workers are required to enter approved training programs in order to receive TAA cash payments, unless training is not feasible or appropriate. Workers are also entitled to payment for the costs of their training programs, up to a total limit of $80 million annually.

Originally established under the Trade Expansion Act of 1962, the TAA program was authorized until September 30, 1985. Thereafter, it was temporarily extended several times. Authority for the program lapsed temporarily on December 19, 1985, but was restored in April 1986 both retroactively to December 19, 1985 and prospectively for six years to September 30, 1991 with enactment of the Consolidated Budget Reconciliation Act of 1985. Authority for the program was extended until September 30, 1993 with enactment of the Omnibus Trade and Competitiveness Act of 1988.

In its 1991 budget request, the Administration proposes that both the workers and firm TAA programs be repealed, effective October 1, 1990. The Administration proposes to assist workers adversely affected by imports through the Economic Dislocation and Worker Adjustment Assistance program.

### Customs User Fees

The 1986 Budget Reconciliation Act established a customs merchandise user fee, which went into effect on December 1, 1986, as a charge of 0.22 percent ad valorem in fiscal year 1987 and 0.17 percent ad valorem in fiscal years 1988 and 1989 on entries of imported merchandise. There is a separate schedule of customs user fees to cover Customs' costs of processing the arrival of vessels, trucks, trains, private boats and planes, and passengers. The law requires the fees to be deposited into a dedicated account and to be available, subject to authorization and appropriation, to offset the cost of salaries and expenses of the Customs Service for commercial operations.

The Omnibus Budget Reconciliation Act of 1987, among other things, extended the expiration date for the merchandise user fee for one additional year, until September 30, 1990 (at the 0.17 percent ad valorem rate), and modified the exemption for articles entering under former schedule 8 of the Tariff Schedules (now covered by of the Harmonized Tariff Schedule). The Administration will propose legislation to make the merchandise user fee permanent legislation and to restructure the fee consistent with the General Agreement on Tariffs and Trade.

# CHART 17.—TAX REVENUES UNDER PRESENT LAW

[In billions of dollars]

| | Current Services | | CBO Baseline | |
|---|---|---|---|---|
| | 1991 | 1992 | 1991 | 1992 |
| Individual Income | 524 | 560 | 529 | 564 |
| Corporate Income | 129 | 141 | 111 | 116 |
| Social Insurance | 417 | 444 | 412 | 437 |
| Excise Taxes | 35 | 35 | 34 | 32 |
| Other [1] | 52 | 55 | 53 | 54 |
| TOTAL | 1,156 | 1,235 | 1,139 | 1,203 |

[1] Includes estate and gift taxes, customs duties, and other miscellaneous receipts.

## Chart 17

### Tax Revenues Under Present Law

The current services projections represent the Administration's estimate of what federal tax revenues would be under existing law. Similarly, the CBO baseline represents the Congressional Budget Office's projections of Federal revenue if current policies remain unchanged.

Under President Bush's 1991 budget proposals, total receipts would rise to $1,170 billion in 1991 and $1,246 in 1992. These proposals are listed in chart 17.

## Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS ON RECEIPTS

[In billions of dollars]

| | 1991 | 1992 | 1993 |
|---|---|---|---|
| 1. Capital Gains | 4.9 | 2.8 | 1.2 |
| 2. IRS Management Reforms | 2.5 | 1.1 | 0.5 |
| 3. State and Local Employees [1] | 3.8 | 3.9 | 4.0 |
| 4. Telephone Excise Tax [1] | 1.6 | 2.5 | 2.7 |
| 5. Payroll Tax Deposit Rules | 0.9 | 2.2 | −3.1 |
| 6. IRS Enforcement Funding | 0.5 | 0.8 | 1.3 |
| 7. Airport and Airway Trust Fund Excise Taxes [1]. | 0.5 | 0.8 | 0.9 |
| 8. Ad Valorem Fee on Shippers [1] | 0.3 | 0.3 | 0.3 |
| 9. Permit Limited Use of Excess Pension Funds to Pay Retiree Health Benefits. | 0.2 | 0.4 | 0.2 |
| 10. Treatment of Salvage Value by Property and Casualty Insurance Companies. | 0.2 | 0.2 | 0.2 |
| 11. SEC Fees | 0.1 | 0.1 | 0.1 |
| 12. Federal Reserve Reimbursement | 0.1 | 0.1 | 0.1 |
| 13. IRS User Fee | 0.1 | 0.1 | 0.1 |
| 14. Abandoned Mine Reclamation Fees [1] | | 0.1 | 0.3 |
| 15. CFTC Fee | (*) | (*) | (*) |
| 16. Liquor Occupation Taxes | (*) | (*) | (*) |
| 17. D.C. Employees: | | | |
| CSRS contribution | (*) | (*) | (*) |
| OASDHI coverage | (*) | (*) | (*) |
| 18. FEMA Fees | (*) | (*) | (*) |
| 19. Corps of Engineers Fees | (*) | (*) | (*) |
| 20. R&E Tax Credit | −0.5 | −0.9 | −1.1 |
| 21. R&E Allocation Rules | −0.4 | −0.7 | −0.8 |

## Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS ON RECEIPTS—Continued

[In billions of dollars]

| | 1991 | 1992 | 1993 |
|---|---|---|---|
| 22. Energy Tax Incentives | —0.3 | —0.5 | —0.5 |
| 23. Family Savings Accounts | —0.2 | —0.6 | —1.0 |
| 24. Health Insurance Deduction for Self-employed. | —0.2 | —0.4 | —0.5 |
| 25. Low-income Housing Credit | —0.1 | —0.3 | —0.4 |
| 26. Enterprise Zones | (—*) | —0.2 | —0.3 |
| 27. Early Withdrawals from IRAs | (—*) | —0.1 | —0.1 |
| 28. Delay Federal Pay Raise | (—*) | —0.1 | —0.1 |
| 29. Child Care Credit [2] | (—*) | (—*) | (—*) |
| 30. Railroad UI | (—*) | (—*) | (—*) |
| 31. Special Needs Adoption | (—*) | (—*) | (—*) |
| 32. Other Proposals | —0.1 | —0.2 | (—*) |

*$50 million or less.

[1] Net of income tax offsets.

[2] Reflects only the effect of the proposal on budget receipts. The proposal increases outlays by the following amounts: 1991, $0.2 billion; 1992, $1.8 billion; and 1993, $2.0 billion.

## Chart 18

### Description of Bush Administration Proposals on Receipts

1. *Capital Gains.*—The Administration proposes to allow individuals, beginning in 1990, to exclude a percentage of gain on capital assets as defined under present law, except that collectibles would be excluded. After 1991, the exclusion would increase based on the length of time the asset was held: 30 percent for assets held 3 years or more, 20 percent for assets held at least 2 years but less than 3 years, and 10 percent for assets held at least 1 year but less than 2 years. The alternative minimum tax would apply to excluded amounts and all depreciation would be recaptured in full as ordinary income.

2. *IRS Management Reforms.*—The Administration intends that IRS will undertake several management initiatives that would increase revenue yields without requiring additional expenditures.

3. *State and Local Employees.*—The Administration proposes extending mandatory social security (OASDI) coverage to State and local government employees who do not participate in retirement plans. The Administration also proposes extending mandatory Medicare hospital insurance (HI) coverage to State and local employees not otherwise covered under present law, effective October 1, 1990.

4. *Telephone Excise Tax.*—The Administration proposes making the current 3 percent Federal excise tax on telephone service permanent. Under existing law, the excise tax is scheduled to expire at the end of 1990. The Administration also proposes to move the deposit date for the tax.

5. *Payroll Tax Deposit Rules.*— The Administration proposes that payroll tax deposits of $100,000 or more must be made by the close of the next banking day.

6. *IRS Enforcement Funding.*—The Administration proposes to increase budget authority for the IRS to about $6.1 billion. IRS funding for enforcement would be increased.

7. *Airport and Airway Trust Fund Excise Taxes.*— The Administration proposes to repeal the aviation tax reduction "trigger." The Administration also proposes to extend the excise taxes beyond 1990 and increase the air passenger ticket tax from 8 percent to 10 percent, the domestic air freight tax from 5 percent to 6.25 percent, and the noncommercial aviation taxes from 12 cents per gallon to 15 cents per gallon for gasoline and from 14 cents per gallon to 17.5 cents per gallon for jet and other fuels.

8. *Ad Valorem Fee on Shippers.*—The Administration proposes to increase the ad valorem fee on shippers from 0.04 percent of cargo value to approximately 0.125 percent of cargo value.

9. *Permit Limited Use of Excess Pension Funds to Pay Retiree Health Benefits.*—The Administration proposes to permit the trans-

fer of excess pension plan assets to a section 401(h) medical benefits account within the plan without termination or disqualification of the plan, under certain restrictions.

10. *Treatment of Salvage Value by Property and Casualty Insurance Companies.*—The Administration proposes that the deduction for losses incurred by property and casualty insurance companies should be reduced by estimated recoveries of salvage (including subrogation claims) attributable to such losses, beginning after December 31, 1989.

11. *Securities and Exchange Commission (SEC) Fees.*—The Administration proposes to increase the fee on securities market transactions from 1/300 to 1/200 of 1 percent of dollar value of sales, and to expand this fee to apply to most over-the-counter securities transactions. The Administration also proposes to increase the fee charged for merger or proxy filing from 1/50 to 1/40 of 1 percent of the value of the transaction, and the registration fee on securities from 1/50 to 1/40 of 1 percent of the value of the securities.

12. *Federal Reserve Reimbursement.*—The Administration proposes to establish a permanent, indefinite appropriation to reimburse Federal Reserve banks for their services as fiscal agents for the Bureau of the Public Debt. This would result in a corresponding increase in deposit of earnings by the Federal Reserve System.

13. *IRS User Fee.*—The Administration proposes to extend permanently the existing fee on private letter ruling and similar requests.

14. *Abandoned Mine Reclamation Fees.*—The Administration proposes to extend permanently the abandoned mine reclamation fees, which would expire in August 1992 under current law.

15. *Commodity Futures Trading Commission (CFTC) Fee.*—The Administration proposes to impose a futures market transactions fee of 11 cents per transaction, effective October 1, 1990.

16. *Liquor Occupation Taxes.*—The Administration proposes to eliminate the special occupational taxes currently levied on liquor retailers and increase the existing taxes on wholesalers and manufacturers.

17. *District of Columbia (D.C.) Employees.*— The Administration proposes to require the D.C. government to phase in payments for current Civil Service Retirement System cost of living (COLA) liabilities and to pay the cost of COLAs for post-1986 CSRS annuitants. The Administration also proposes to extend Social Security and Medicare hospital insurance (OASDHI) coverage to all newly hired D.C. government employees, effective January 1, 1991.

18. *Federal Emergency Management Agency (FEMA) Fees.*—The Administration proposes to impose user fees on the owners of nuclear power plants.

19. *Corps of Engineers Application Fees.*— The Administration proposes to collect fees on requests for permits for development or other activities on navigable waterways and wetlands.

20. *Research and Experimentation (R&E) Tax Credit.*—The Administration proposes making permanent the R&E tax credit, with 100 percent of research expenses eligible in 1990.

21. *Allocation of Research and Experimentation (R&E) Expenses.*—The Administration proposes making permanent the R&E

allocation rules, as modified by the Omnibus Budget Reconciliation Act of 1989.

22. *Energy Tax Incentives.*—The Administration makes four proposals to boost energy production: a 10 percent tax credit for the first $10 million of exploratory intangible drilling costs and a 5 percent credit for the balance of such costs; a 10 percent credit for new tertiary enhanced recovery projects; for percentage depletion, eliminating the transfer rule and increasing the net income limitation for independent producers; and eliminating 80 percent of the exploratory intangible drilling cost preferences of independent producers from the minimum tax.

23. *Family Savings Accounts.*—The Administration proposes to create a new type of savings account, the "Family Savings Account." Although no current-year tax deduction would be available for contributions to these accounts, the contributions and the earnings could be withdrawn tax-free, as long as the account was maintained for at least seven years. Withdrawals of earnings on contributions maintained in the account for less than three years would be subject not only to regular income tax, but also to a 10 percent excise tax penalty. The proposal would allow contributions of up to $2,500 a year for single individuals with income of $60,000 or less, and $5,000 a year for families with income of $120,000 or less.

24. *Health Insurance Deduction for Self-employed.*—The Administration proposes to extend permanently the 25 percent deduction for health insurance expenses of self-employed individuals, which would expire after September 30, 1990 under current law.

25. *Low-income Housing Tax Credit.*—The Administration proposes to extend the low-income housing tax credit, as modified by the Omnibus Budget Reconciliation Act of 1989, through 1991 with 100 percent of the credit available in 1990.

26. *Enterprise Zones.*—The Administration proposes targeting new employment- and capital-based tax incentives to businesses that locate in designated enterprise zones. Under the Administration's proposal, up to 50 zones would be eligible for these tax benefits.

27. *Waive Excise Tax for Early Withdrawals from IRAs.*—The Administration proposes to permit penalty-free withdrawals from some Individual Retirement Accounts (IRAs) to purchase a first home.

28. *Delay the Federal Employee Pay Raise.*—The Administration proposes to delay the Federal employee pay raise 3 months from October 31, 1990 to January 1, 1991.

29. *Child Care Credit.*—The Administration proposes establishing a new refundable child care tax credit of up to $1,000 for each child under age four for families with adjusted gross income up to $13,000; the income ceiling would be gradually raised to $20,000 by 1995. The Administration proposal would also make the existing child and dependent care credit refundable.

30. *Railroad UI Reimbursable Status.*—The Administration proposes to extend beyond 1990 the exemption from the full railroad unemployment tax rate provided to public commuter railroads. The Administration proposal would also extend the same exemption to Amtrak beginning in 1991.

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31. *Deduction for Special Needs Adoption.*—The Administration proposes restoring a deduction of up to $3,000 for the expenses associated with adopting special needs children.

32. *Other Proposals.*—Other Administration proposals affecting receipts include modification of the EPA pesticide fee and an increase in the HUD interstate land sales fee.

# Chart 19.—TAX EXPENDITURES

[In billions of dollars]

| | Outlay equivalent | | Revenue loss | |
|---|---|---|---|---|
| | 1990 | 1991 | 1990 | 1991 |
| National defense | 2.3 | 2.4 | 2.0 | 2.0 |
| International affairs | 6.8 | 7.3 | 4.9 | 5.3 |
| General science, space, and technology | 3.4 | 2.9 | 2.7 | 2.5 |
| Energy | 1.2 | 1.5 | 1.4 | 1.7 |
| Natural resources and environment | 2.9 | 2.8 | 2.5 | 2.5 |
| Agriculture | 0.5 | 0.5 | 0.6 | 0.5 |
| Commerce and housing | 151.6 | 154.7 | 145.3 | 148.9 |
| Transportation | 0.2 | 0.2 | 0.1 | 0.1 |
| Community and regional development | 2.7 | 2.9 | 2.1 | 2.2 |
| Education, training, employment and social services | 23.1 | 24.4 | 20.9 | 22.1 |
| Health | 51.4 | 56.8 | 42.9 | 47.4 |
| Income security | 80.7 | 84.7 | 63.3 | 66.5 |
| Social security | 19.9 | 20.9 | 19.9 | 21.0 |
| Veterans benefits and services | 1.9 | 2.0 | 1.9 | 1.9 |
| General government | 37.0 | 39.2 | 33.6 | 35.5 |
| Interest | 1.1 | 1.1 | 1.0 | 1.1 |

## Chart 19

### Tax Expenditures

The concept of tax expenditures was developed in order to compare the Federal Government's outlays to the budgetary impact of various deductions, deferrals and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct expenditures and tax expenditures as alternate means of providing incentives.

The Budget Act defines tax expenditures as "revenue losses" attributable to provisions of the Federal tax laws that allow a special exclusion, exemption, or deduction from gross income, or which provide a special credit, a preferential rate of tax, or a deferral of liability. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability, which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

The definition of "tax expenditure" is not precise. This imprecision has resulted in substantial controversy. Chart 18 includes all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or any judgment about the effectiveness of any provision.

Chart 18 presents a summary of tax expenditures by budget functional category. The chart reflects both the Administration's estimate of the budget outlay equivalent for tax expenditures and the Administration's estimates of the revenue loss for tax expenditures.

Tax expenditure estimates should not be interpreted as the increase in Federal receipts (or reduction in the budget deficit) that would result if a provision were repealed. Repeal of some provisions could affect the aggregate level of income and economic growth. Many tax expenditures are not independent of each other; their values are largely interdependent. Additionally, the annual value of tax expenditures is very time-dependent.

The tax expenditure table from the President's budget is reprinted in Appendix E.

## Chart 20.—DEBT LIMIT

[In trillions of dollars]

| | |
|---|---|
| Fiscal 1991 Debt Limit: | |
| Current debt limit | 3.123 |
| Administration estimate of debt subject to limit on September 30, 1990 | 3.071 |
| Plus: | |
| Federal funds deficit for fiscal 1991 | 0.216 |
| Other transactions [1] | —0.011 |
| Equals: | |
| Debt subject to limit on September 30, 1991 | 3.277 |

[1] For example, increase or decrease in cash balances, "profit" on coinage, increase or decrease in certain debt holdings which are not subject to limit.

## Chart 20

## Debt Limit

Since 1983, the practice of Congress has generally been to increase the statutory limit on the public debt on a permanent basis. The current debt limit of $3.1227 trillion was established by Public Law 101-140, which was enacted on November 8, 1989. With a permanent debt limit, the exact date at which an increase will be needed cannot be accurately projected well in advance. The Budget submitted by President Bush indicates a debt level of $3.071 trillion by September 30, 1990 and $3.277 trillion by September 30, 1991. This would indicate a need for legislation raising the debt ceiling after the end of the current fiscal year.

The annual increase in the amount of debt subject to limit corresponds closely to the Federal funds deficit, that is the deficit in that part of the Federal Government which is financed by general revenues rather than through trust fund operations. (Trust fund surpluses do not lower the total borrowing needs of the Government; they simply allow the Government to meet those needs by borrowing from the trust funds rather than from the general public.)

# APPENDIX A

## Committee on Finance Reports to the Budget Committee with Respect to Fiscal Year 1990

U.S. SENATE,
COMMITTEE ON FINANCE,
*Washington, DC, March 7, 1989*

Hon. JAMES R. SASSER,
*Chairman, Committee on the Budget,*
*U.S. Senate,*
*Washington, DC.*

DEAR MR. CHAIRMAN:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the fiscal year 1990 budget. I am also enclosing a committee print which provides additional information on matters within the jurisdiction of the Committee on Finance.

Sincerely,

LLOYD BENTSEN, *Chairman*

Attachment.

**March 7, 1989**

## Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Year 1990

*Overall budgetary situation.*—Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1990 projects a deficit which meets the target, but only if current policies (including appropriations) are changed sufficiently to reduce the disparity between spending and revenues by approximately $27 billion. The baseline estimates of the Congressional Budget Office would indicate that an even larger amount of deficit reduction would be required to meet the goal of having a deficit for fiscal year 1990 which does not exceed $100 billion.

As the committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years. At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high-priority needs of the nation, and many of the programs within Finance Committee jurisdiction are vital to the health and well-being of the citizens of this country.

It is clear, in any case, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration. We look forward to working with the Administration in fashioning those details of the budgetary program which involve matters within the jurisdiction of this committee.

*Tax proposals.*—As noted above, the President's Budget projects a baseline deficit under the Gramm-Rudman-Hollings statute which must be reduced by approximately $27 billion if we are to meet the revised goals set by Congress and the Administration in 1987. That situation could worsen if economic conditions develop unfavorably in the next few months. The President's budget does include several revenue proposals. Some of these would reduce the deficit while others would increase it. The Committee is committed to assuring that any revenue changes it may propose will be designed in such a way as not to worsen the deficit. The Committee believes, however, that revenues are unlikely to play a role in meeting this year's deficit reduction goals unless there is bipartisan agreement on such an approach. In the absence of bipartisan agreement, the budget resolution should contain no reconciliation

instruction directing the Committee on Finance to propose revenue increases.

*Medicare.*—The Committee notes that the Medicare program has over the past several years borne much of the burden of outlay reduction. While that program does represent a major element of Federal spending, it cannot continue indefinitely to absorb major cutbacks without damaging the health care system in ways which will ultimately be harmful to the nation and the program's beneficiaries. The Committee will of course continue to carefully review this program to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly believes, however, that the Congressional budget for fiscal year 1990 should not be based on any assumption of significant cutbacks in Medicare. Specifically, the Committee feels that the level of Medicare deficit reduction projected in the President's budget ($5 billion in fiscal year 1990; $24 billion over fiscal years 1990–1992) exceeds the level that it will be willing to recommend.

*Welfare reform.*—In the last Congress, a major reform of the welfare system was enacted into law. This legislation has the potential for changing welfare in this nation from a program of dependency into a program which provides recipients with the tools to be independent, productive members of society. It is crucial to the success of this legislation that it be adequately funded in accord with the statutory entitlements (including the new JOBS program) established last year. The Congressional budget should assume both that entitlement funding and funding to implement several provisions of the welfare reform legislation which were adopted on a non-entitlement basis as discretionary authorizations. This includes, for example, funds for research and evaluation. The full cost of funding the welfare reform legislation, from a budgetary standpoint, was offset by financing provisions in that same act.

*Children's initiatives.*—While the Committee is deeply concerned with the need for deficit reduction, the existence of that deficit does not relieve the nation of its responsibility to find ways to improve the lives of its children, especially those who are poor or disabled. The Committee expects to propose meeting that responsibility by implementing new initiatives in the areas of child welfare, child care, and child health. Several elements of the Committee's jurisdiction are closely involved with those areas including: the tax code; the social services program under title XX of the Social Security Act; the adoption assistance, foster care, and child welfare services programs; Medicaid; and the maternal and child health program. While the Committee has not yet had the opportunity to review or develop specific proposals in these areas, we recommend that the budget resolution accommodate new children's initiatives in these Finance Committee programs in fiscal year 1990.

*Customs/International Trade.*—We note that the budget submitted by President Reagan assumed the repeal of the Trade Adjustment Assistance program which was just extended and reformed by last year's trade bill. It is extremely unlikely that the Committee will recommend repeal, so the Committee on the Budget should not assume the enactment of repeal legislation. With respect to funding of the United States Trade Representative, the Committee is concerned that the President's budget submission does not fully

take into account the increased program activities of the agency due to enactment of last year's trade bill, implementation of the U.S.-Canada Free Trade Agreement, and increased activity in the Uruguay Round of multilateral trade negotiations. We recommend that the budget resolution assume that the Committee may increase USTR's funding above the President's requested level in order to assure that the agency has adequate resources to perform its functions.

*Other Finance Committee programs.*—In general, the Committee recommends that the budget resolution be based on an assumption that the programs in its jurisdiction which are not specifically addressed above be continued without substantive change.

*Public Debt Limit.*—The debt limit under existing law is set at $2.8 trillion. It appears that this level will be exceeded by the end of fiscal year 1989. At that time, a debt subject to limit of approximately $2.85 trillion is now projected. By the end of fiscal year 1990, the debt limit will have to be increased to about $3.1 trillion. The budget resolution should reflect these projections.

*Summary.*—As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.

# APPENDIX B

## Excerpt From the Congressional Budget and Impoundment Control Act of 1974, as Amended

## DEFINITIONS

SEC. 3. IN GENERAL.—For purposes of this Act—

(1) The terms "budget outlays" and "outlays" mean, with respect to any fiscal year, expenditures and net lending of funds under budget authority during such year.

(2) The term "budget authority" means authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds or to collect offsetting receipts, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(3) The term "tax expenditures" means those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability; and the term "tax expenditures budget" means an enumeration of such tax expenditures.

(4) The term "concurrent resolution on the budget" means—

(A) a concurrent resolution setting forth the congressional budget for the United States Government for a fiscal year as provided in section 301; and

(B) any other concurrent resolution revising the congressional budget for the United States Government for a fiscal year as described in section 304.

(5) The term "appropriation Act" means an Act referred to in section 105 of title 1, United States Code.

(6) The term "deficit" means, with respect to any fiscal year, the amount by which total budget outlays for such fiscal year exceed total revenues for such fiscal year. In calculating the deficit for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985 and in calculating the excess deficit for purposes of sections 251 and 252 of such Act (notwithstanding section 710(a) of the Social Security Act), for any fiscal year, the receipts of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for such fiscal year and the taxes payable under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 during such fiscal year shall be included in total revenues for such fiscal year, and the disbursements of each such Trust Fund for such fiscal year shall be included in total budget outlays for such fiscal year. Notwithstanding any other provision of law except to the extent provided by section 710(a) of the Social Security Act, the receipts, revenues, disbursements,

budget authority, and outlays of each off-budget Federal entity for a fiscal year shall be included in total budget authority, total budget outlays, and total revenues and the amounts of budget authority and outlays set forth for each major functional category, for such fiscal year. Amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by a department, agency or instrumentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.[1]

*[Section 3(7) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(A) as amended by P.L. 100-119.]*

(7) The term "maximum deficit amount" means—

(A) with respect to the fiscal year beginning October 1, 1985, $171,900,000,000;

(B) with respect to the fiscal year beginning October 1, 1986, $144,000,000,000;

(C) with respect to the fiscal year beginning October 1, 1987, $144,000,000,000;

(D) with respect to the fiscal year beginning October 1, 1988, $136,000,000,000;

(E) with respect to the fiscal year beginning October 1, 1989, $100,000,000,000;

(F) with respect to the fiscal year beginning October 1, 1990, $64,000,000,000;

(G) with respect to the fiscal year beginning October 1, 1991, $28,000,000,000; and

(H) with respect to the fiscal year beginning October 1, 1992, zero.

(8) The term "off-budget Federal entity" means any entity (other than a privately owned Government-sponsored entity)—

(A) which is established by Federal law, and

(B) the receipts and disbursements of which are required by law to be excluded from the totals of—

*(i)* the budget of the United States Government submitted by the President pursuant to section 1105 of title 31, United States Code, or

*(ii)* the budget adopted by the Congress pursuant to title III of this Act.

(9) The term "entitlement authority" means spending authority described by section 401(c)(2)(C).

(10) The term "credit authority" means authority to incur direct loan obligations or to incur primary loan guarantee commitments.

*[Public Law 95-110, 91 Stat. 884, September 20, 1977, An Act to Abolish the Joint Committee on Atomic Energy, repealed section 3(b).]*

## TITLE III—CONGRESSIONAL BUDGET PROCESS

### TIMETABLE

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

| On or before: | Action to be completed: |
|---|---|
| First Monday after January 3 | President submits his budget. |
| February 15 | Congressional Budget Office submits report to Budget Committees. |
| February 25 | Committees submit views and estimates to Budget Committees. |
| April 1 | Senate Budget Committee reports concurrent resolution on the budget. |
| April 15 | Congress completes action on concurrent resolution on the budget. |
| May 15 | Annual appropriation bills may be considered in the House. |
| June 10 | House Appropriations Committee reports last annual appropriation bill. |
| June 15 | Congress completes action on reconciliation legislation. |
| June 30 | House completes action on annual appropriation bills. |
| October 1 | Fiscal year begins. |

### ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, for the following—

(1) totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;

(2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(3) the surplus or deficit in the budget;

(4) new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1); and

(5) the public debt.[1]

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[1] See Rule XLIX of the Rules of the House of Representatives as it pertains to the statutory limit on the public debt in the House of Representatives, p. 50.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The concurrent resolution on the budget may—

(1) set forth, if required by subsection (f), the calendar year in which, in the opinion of the Congress, the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 should be achieved;

(2) include reconciliation directives described in section 310;

(3) require a procedure under which all or certain bills or resolutions providing new budget authority or new entitlement authority for such fiscal year shall not be enrolled until the Congress has completed action on any reconciliation bill or reconciliation resolution or both required by such concurrent resolution to be reported in accordance with section 310(b); and

(4) set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act.

(c) CONSIDERATION OF PROCEDURES OR MATTERS WHICH HAVE THE EFFECT OF CHANGING ANY RULE OF THE HOUSE OF REPRESENTATIVES.—If the Committee on the Budget of the House of Representatives reports any concurrent resolution on the budget which includes any procedure or matter which has the effect of changing any rule of the House of Representatives, such concurrent resolution shall then be referred to the Committee on Rules with instructions to report it within five calendar days (not counting any day on which the House is not in session). The Committee on Rules shall have jurisdiction to report any concurrent resolution referred to it under this paragraph with an amendment or amendments changing or striking out any such procedure or matter.

(d) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before February 25 of each year, each committee of the House of Representatives having legislative jurisdiction shall submit to the Committee on the Budget of the House and each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters set forth in subsections (a) and (b) which relate to matters within the jurisdiction or functions of such committee. The Joint Economic Committee shall submit to the Committees on the Budget of both Houses its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House of Representatives or the Senate may submit to the Committee on the Budget of its House, and any joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsections (a) and (b) which relate to matters within its jurisdiction or functions.

(e) HEARINGS AND REPORT.—In developing the concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the Committee

deems desirable. Each of the recommendations as to short-term and medium-term goals set forth in the report submitted by the members of the Joint Economic Committee under subsection (d) may be considered by the Committee on the Budget of each House as part of its consideration of such concurrent resolution, and its report may reflect its views thereon, including its views on how the estimates of revenues and levels of budget authority and outlays set forth in such concurrent resolution are designed to achieve any goals it is recommending. The report accompanying such concurrent resolution shall include, but not be limited to—

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, total direct loan obligations, total primary loan guarantee commitments, as set forth in such concurrent resolution, with those estimated or requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof) with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and with each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and any alternative economic assumptions and objectives which the committee considered;

(6) projections (not limited to the following), for the period of five fiscal years beginning with such fiscal year, of the estimated levels of total budget outlays and total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments;

(8) information, data, and comparisons indicating the manner in which and the basis on which, the committee determined each of the matters set forth in the concurrent resolution; and

(9) allocations described in section 302(a).

(f) ACHIEVEMENT OF GOALS FOR REDUCING UNEMPLOYMENT.—

(1) If, pursuant to section 4(c) of the Employment Act of 1946, the President recommends in the Economic Report that the goals for reducing unemployment set forth in section 4(b) of such Act be achieved in a year after the close of the five-year period prescribed by such subsection, the concurrent resolution on the budget for the fiscal year beginning after the

date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(2) After the Congress has expressed its opinion pursuant to paragraph (1) as to the year in which the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 can be achieved, if, pursuant to section 4(e) of such Act, the President recommends in the Economic Report that such goals be achieved in a year which is different from the year in which the Congress has expressed its opinion that such goals should be achieved, either in its action pursuant to paragraph (1) or in its most recent action pursuant to this paragraph, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(3) It shall be in order to amend the provision of such resolution setting forth such year only if the amendment thereto also proposes to alter the estimates, amounts, and levels (as described in subsection (a)) set forth in such resolution in germane fashion in order to be consistent with the economic goals (as described in section 3(a)(2) and 4(b) of the Employment Act of 1946) which such amendment proposes can be achieved by the year specified in such amendment.

(g) ECONOMIC ASSUMPTIONS.—

(1) It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year, or any amendment thereto, or any conference report thereon, that sets forth amounts and levels that are determined on the basis of more than one set of economic and technical assumptions.

(2) The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall set forth the common economic assumptions upon which such joint statement and conference report are based, or upon which any amendment contained in the joint explanatory statement to be proposed by the conferees in the case of technical disagreement, is based.

(3) Subject to periodic reestimation based on changed economic conditions or technical estimates, determinations under titles III and IV of the Congressional Budget Act of 1974 shall be based upon such common economic and technical assumptions.

(h) BUDGET COMMITTEE CONSULTATION WITH COMMITTEES.—The Committee on the Budget of the House of Representatives shall consult with the committees of its House having legislative jurisdiction during the preparation, consideration, and enforcement of the concurrent resolution on the budget with respect to all matters which relate to the jurisdiction or functions of such committees.

*[Section 301(i) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]*

(i) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—

(1)(A) Except as provided in paragraph (2), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of total budget outlays for such fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7), or if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7).

(B) In the House of Representatives the point of order established under subparagraph (A) with respect to the consideration of a conference report or with respect to the consideration of a motion to concur, with or without an amendment or amendments, in a Senate amendment, the stage of disagreement having been reached, may be waived only by a vote of three-fifths of the Members present and voting, a quorum being present.

(2) (A) Paragraph (1) of this subsection shall not apply if a declaration of war by the Congress is in effect.

(B) Paragraph (1) shall not apply to the consideration of any concurrent resolution on the budget for fiscal year 1988 or fiscal year 1989, or amendment thereto or conference report thereon, if such concurrent resolution or conference report provides, or in the case of an amendment if the concurrent resolution as changed by the adoption of such amendment would provide for deficit reduction from a budget baseline estimate as specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year (based on laws in effect on January 1 of the calendar year during which the fiscal year begins) equal to or greater than the maximum amount of unachieved deficit reduction for such fiscal year as specified in section 251(a)(3)(A) of such Act.

(C) For purposes of the application of subparagraph (B), the amount of deficit reduction for a fiscal year provided for in a concurrent resolution, or amendment thereto or conference report thereon, shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

SEC. 302. (a) ALLOCATION OF TOTALS.—

(1) For the House of Representatives, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority, total entitlement authority, and total credit authority among each committee of

the House of Representatives which has jurisdiction over laws, bills and resolutions providing such new budget authority, such entitlement authority, or such credit authority. The allocation shall, for each committee, divide new budget authority, entitlement authority, and credit authority between amounts provided or required by law on the date of such conference report (mandatory or uncontrollable amounts), and amounts not so provided or required (discretionary or controllable amounts), and shall make the same division for estimated outlays that result from such new budget authority.

(2) For the Senate, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority and new credit authority among each committee of the House of Representatives and the Senate which has jurisdiciton over bills and resolutions providing such new budget authority.

(b) REPORTS BY COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays, new budget authority, and new credit authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection.

(c) POINT OF ORDER.—It shall not be in order in the House of Representatives or the Senate to consider any bill or resolution, or amendment thereto, providing—

(1) new budget authority for a fiscal year;

(2) new spending authority as described in section 401(c)(2) for a fiscal year; or

(3) new credit authority for a fiscal year;

within the jurisdiction of any committee which has received an appropriate allocation of such authority pursuant to subsection (a) for such fiscal year, unless and until such committee makes the allocation or subdivision required by subsection (b), in connection with

the most recently agreed to concurrent resolution on the budget for such fiscal year.

(d) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304, the allocations under subsection (a) and the subdivision under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

(e) ALTERATION OF ALLOCATIONS.—At any time after a committee reports the allocations required to be made under subsection (b), such committee may report to its House an alteration of such allocations. Any alteration of such allocations must be consistent with any actions already taken by its House on legislation within the Committee's jurisdiction.

(f) LEGISLATION SUBJECT TO POINT OF ORDER.—

(1) IN THE HOUSE OF REPRESENTATIVES.—After the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, new entitlement authority effective during such fiscal year, or new credit authority for such fiscal year, or any conference report on any such bill or resolution, if—

(A) the enactment of such bill or resolution as reported;

(B) the adoption and enactment of such amendment; or

(C) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate allocation made pursuant to subsection (b) for such fiscal year of new discretionary budget authority, new entitlement authority, or new credit authority to be exceeded.

(2) IN THE SENATE.—At any time after the Congress has completed action on the concurrent resolution on the budget required to be reported under section 301(a) for a fiscal year, it shall not be in order in the Senate to consider any bill or resolution (including a conference report thereon), or any amendment to a bill or resolution, that provides for budget outlays or new budget authority in excess of the appropriate allocation of such outlays or authority reported under subsection (b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year.

(g) DETERMINATIONS BY BUDGET COMMITTEES.—For purposes of this section, the levels of new budget authority, spending authority as described in section 401(c)(2), outlays and new credit authority for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of House of Representatives or the Senate, as the case may be.

CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, NEW CREDIT AUTHORITY, OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) as reported to the House or Senate which provides—

(1) new budget authority for a fiscal year;

(2) an increase or decrease in revenues to become effective during a fiscal year;

(3) an increase or decrease in the public debt limit to become effective during a fiscal year;

(4) new entitlement authority to become effective during a fiscal year; or

(5) new credit authority for fiscal year,

until the concurrent resolution on the budget for such fiscal year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

After May 15 of any calendar year, subsection (a) does not apply in the House of Representatives to any general appropriation bill, or amendment thereto, which provides new budget authority for the fiscal year beginning in such calendar year.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution (or amendment thereto) to which subsection (a) applies may at or after the time it reports such bill or resolution (or amendment), report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution (or amendment), and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That Committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that Committee's recommendations and reasons for such recommendations with respect to the resolution. If the Committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal

shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) shall not apply with respect to the bill or resolution (or amendment thereto) to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 304. (a) IN GENERAL.—At any time the concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises or reaffirms the concurrent resolution on the budget for such fiscal year most recently agreed to.

*[Section 304(b) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]*

(b) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—The provisions of section 301(i) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under section 301(i) (and amendments thereto and conference reports thereon).

(c) ECONOMIC ASSUMPTIONS.—The provisions of section 301(g) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under such section 301(g) (and amendments thereto and conference reports thereon).

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House of Representatives has reported any concurrent resolution on the budget, it is in order at any time after the fifth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution by the Committee on the Budget has been available to Members of the House and, if applicable, after the first day (excluding Saturdays, Sundays, and legal holidays) following the day on which a report upon such resolution by the Committee on Rules pursuant to section 301(c) has been available to Members of the House (even though a previous motion to the same effect has been dis-

agreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between majority and minority parties, plus such additional hours of debate as are consumed pursuant to paragraph (3). A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the House, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Only if a concurrent resolution on the budget reported by the Committee on the Budget of the House sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Full Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be considered for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(6) Debate in the House of Representatives on the conference report on any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.

(7) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the pro-

cedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that with respect to any concurrent resolution referred to in section 304(a) all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the Senate, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Subject to the other limitations of this Act, only if a concurrent resolution on the budget reported by the Committee on the Budget of the Senate sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(6) Notwithstanding any other rule, an amendment or series of amendments to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturday, Sundays, and legal holidays) following the day on which such conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, and all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

(d) REQUIRED ACTION BY CONFERENCE COMMITTEE.—If at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in

disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BY JUNE 10

SEC. 307. On or before June 10 of each year, the Committee on Appropriations of the House of Representatives shall report annual appropriation bills providing new budget authority under the jurisdiction of all of its subcommittees for the fiscal year which begins on October 1 of that year.

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR NEW CREDIT AUTHORITY, OR PROVIDING AN INCREASE OR DECREASE IN REVENUES OR TAX EXPENDITURES.—

(1) Whenever a committee of either House reports to its House a bill or resolution, or committee amendment thereto, providing new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, or the committee shall make available such a state-

ment in the case of an approved committee amendment which is not reported to its House, prepared after consultation with the Director of the Congressional Budget Office—

(A) comparing the levels in such measure to the appropriate allocations in the reports submitted under section 302(b) for the most recently agreed to concurrent resolution on the budget for such fiscal year;

(B) including an identification of any new spending authority described in section 401(c)(2) which is contained in such measure and a justification for the use of such financing method instead of annual appropriations;

(C) containing a projection by the Congressional Budget Office of how such measure will affect the levels of such budget authority, budget outlays, spending authority, revenues, tax expenditures, direct loan obligations, or primary loan guarantee commitments under existing law for such fiscal year and each of the four ensuing fiscal years, if timely submitted before such report is filed; and

(D) containing an estimate by the Congressional Budget Office of the level of new budget authority for assistance to State and local governments provided by such measure, if timely submitted before such report is filed.

(2) Whenever a conference report is filed in either House and such conference report or any amendment reported in disagreement or any amendment contained in the joint statement of managers to be proposed by the conferees in the case of technical disagreement on such bill or resolution provides new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or provides an increase or decrease in revenues for a fiscal year, the statement of managers accompanying such conference report shall contain the information described in paragraph (1), if available on a timely basis. If such information is not available when the conference report is filed, the committee shall make such information available to Members as soon as practicable prior to the consideration of such conference report.

(b) UP-TO-DATE TABULATIONS OF CONGRESSIONAL BUDGET ACTION.—

(1) The Director of the Congressional Budget Office shall issue to the committees of the House of Representatives and the Senate reports on at least a monthly basis detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority, new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year. Such reports shall include but are not limited to an up-to-date tabulation comparing the appropriate aggregate and functional levels (including outlays) included in the most recently adopted concurrent resolution on the budget with the levels provided in bills and resolutions reported by committees or adopted by either House or by the Congress, and

with the levels provided by law for the fiscal year preceding such fiscal year.

(2) The Committee on the Budget of each House shall make available to Members of its House summary budget scorekeeping reports. Such reports—

(A) shall be made available on at least a monthly basis, but in any case frequently enough to provide Members of each House an accurate representation of the current status of congressional consideration of the budget;

(B) shall include, but are not limited to, summaries of tabulations provided under subsection (b)(1); and

(C) shall be based on information provided under subsection (b)(1) without substantive revision.

ıe chairman of the Committee on the Budget of the House of presentatives shall submit such reports to the Speaker.

'c) FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACTION.— As soon as practicable after the beginning of each fiscal year, the rector of the Congressional Budget Office shall issue a report ojecting for the period of 5 fiscal years beginning with such fiscal ar—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period;

(3) tax expenditures for each fiscal year in such period;

(4) entitlement authority for each fiscal year in such period; and

(5) credit authority for each fiscal year in such period.

HOUSE APPROVAL OF REGULAR APPROPRIATION BILLS

SEC. 309. It shall not be in order in the House of Representatives consider any resolution providing for an adjournment period of ore than three calendar days during the month of July until the ouse of Representatives has approved annual appropriation bills oviding new budget authority under the jurisdiction of all the bcommittees of the Committee on Appropriations for the fiscal ar beginning on October 1 of such year. For purposes of this sec- ın, the chairman of the Committee on Appropriations of the ouse of Representatives shall periodically advise the Speaker as changes in jurisdiction among its various subcommittees.

RECONCILIATION

SEC. 310. (a) INCLUSION OF RECONCILIATION DIRECTIVES IN CON- 'RRENT RESOLUTIONS ON THE BUDGET.—A concurrent resolution on e budget for any fiscal year to the extent necessary to effectuate e provisions and requirements of such resolution, shall—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years;

(C) new entitlement authority which is to become effective during such fiscal year; and

(D) credit authority for such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amounts by which the statutory limit on the public debt is to be changed and direct the committee having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

(b) LEGISLATIVE PROCEDURE.—If a concurrent resolution containing directives to one or more committees to determine and recommend changes in laws, bills, or resolutions is agreed to in accordance with subsection (a), and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House reconciliation legislation containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations and submit such recommendations to the Committee on the Budget of its House, which, upon receiving all such recommendations, shall report to its House reconciliation legislation carrying out all such recommendations without any substantive revision.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(c) COMPLIANCE WITH RECONCILIATION DIRECTIONS.—Any committee of the House of Representatives or the Senate that is directed, pursuant to a concurrent resolution on the budget, to determine and recommend changes of the type described in paragraphs (1) and (2) of subsection (a) with respect to laws within its jurisdiction, shall be deemed to have complied with such directions—

(1) if—

(A) the amount of the changes of the type described in paragraph (1) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under such paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection, and

(B) the amount of the changes of the type described in paragraph (2) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under that paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection; and

(2) if the total amount of the changes recommended by such committee is not less than the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection.

(d) LIMITATION OF AMENDMENTS TO RECONCILIATION BILLS AND RESOLUTIONS.—

(1) It shall not be in order in the House of Representatives to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of increasing any specific budget outlays above the level of such outlays provided in the bill or resolution (for the fiscal years covered by the reconciliation instructions set forth in the most recently agreed to concurrent resolution on the budget), or would have the effect of reducing any specific Federal revenues below the level of such revenues provided in the bill or resolution (for such fiscal years), unless such amendment makes at least an equivalent reduction in other specific budget outlays, an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years), except that a motion to strike a provision providing new budget authority or new entitlement authority may be in order.

(2) It shall not be in order in the Senate to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of decreasing any specific budget outlay reductions below the level of such outlay reductions provided (for the fiscal years covered) in the reconciliation instructions which relate to such bill or resolution set forth in a resolution providing for reconciliation, or would have the effect of reducing Federal revenue increases below the level of such revenue increases provided (for such fiscal years) in such instructions relating to such bill or resolution, unless such amendment makes a reduction in other specific budget outlays, an increase in other specific Federal revenues, or a combination thereof (for such fiscal years) at least equivalent to any increase in outlays or decrease to revenues provided by such amendment, except that a motion to strike a provision shall always be in order.

(3) Paragraphs (1) and (2) shall not apply if a declaration of war by the Congress is in effect.

(4) For purposes of this section, the levels of budget outlays and Federal revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

(5) The Committee on Rules of the House of Representatives may make in order amendments to achieve changes specified by reconciliation directives contained in a concurrent resolution on the budget if a committee or committees of the House fail to submit recommended changes to its Committee on the Budget pursuant to its instruction.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills reported under subsection (b) and conference reports thereon.

(2) Debate in the Senate on any reconciliation bill reported under subsection (b), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) COMPLETION OF RECONCILIATION PROCESS.—

(1) IN GENERAL.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (b) not later than June 15 of each year.

(2) POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.—It shall not be in order in the House of Representatives to consider any resolution providing for an adjournment period of more than three calendar days during the month of July until the House of Representatives has completed action on the reconciliation legislation for the fiscal year beginning on October 1 of the calendar year to which the adjournment resolution pertains, if reconciliation legislation is required to be reported by the concurrent resolution on the budget for such fiscal year.

(g) LIMITATION ON CHANGES TO THE SOCIAL SECURITY ACT.—Notwithstanding any other provisions of law, it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or reconciliation resolution reported pursuant to a concurrent resolution on the budget agreed to under section 301 or 304, or a resolution pursuant to section 254(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, or any amendment thereto or conference report thereon, that contains recommendations with respect to the old-age survivors, and disability insurance program established under title II of the Social Security Act.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—Except as provided by subsection (b), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;
(2) the adoption and enactment of such amendment; or
(3) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution or, in the Senate, would otherwise result in a deficit for such fiscal year that—

(A) for fiscal year 1989 or any subsequent fiscal year, exceeds the maximum deficit amount specified for such fiscal year in section 3(7); and

(B) for fiscal year 1988 or 1989, exceeds the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on January 1 of the calendar year in which such fiscal year begins as measured using the budget baseline specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 minus $23,000,000,000 for fiscal year 1988 or $36,000,000,000 for fiscal year 1989;

except to the extent that paragraph (1) of section 301(i) or section 304(b), as the case may be, does not apply by reason of paragraph (2) of such subsection.[1]

(b) EXCEPTION IN THE HOUSE OF REPRESENTATIVES.—Subsection (a) shall not apply in the House of Representatives to any bill, resolution, or amendment which provides new budget authority or new entitlement authority effective during such fiscal year, or to any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;
(2) the adoption and enactment of such amendment; or
(3) the enactment of such bill or resolution in the form recommended in such conference report,

would not cause the appropriate allocation of new discretionary budget authority or new entitlement authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.

(c) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

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[1] The portion of section 311(a) that begins with "or, in the Senate" and ends with "paragraph (2) of such subsection)" expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.

## TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

### BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2) (A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, conference report, or amendment also provides that such new spending authority as described in subsection (c)(2) (A) or (B) is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day in which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

(D) to forgo the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such forgone receipts; and

(E) to make payments by the United States (including loans, grants, and payments from revolving funds) other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act, as of the date of enactment of the Balanced Budget and Emergency Deficit Control Act of 1985; or

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

LEGISLATION PROVIDING NEW CREDIT AUTHORITY

SEC. 402. (a) CONTROLS ON LEGISLATION PROVIDING NEW CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House, or any amendment which provides new credit authority described in subsection (b)(1), unless that bill, resolution, conference report, or amendment also provides that such new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) DEFINITION.—For purposes of this Act, the term "new credit authority" means credit authority (as defined in section 3(10) of this Act) not provided by law on the effective date of this section, including any increase in or addition to credit authority provided by law on such date.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

SEC. 403. (a) The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate;

(2) an estimate of the cost which would be incurred by State and local governments in carrying out or complying with any significant bill or resolution in the fiscal year in which it is to become effective and in each of the four fiscal years following such fiscal year, together with the basis for each such estimate;

(3) a comparison of the estimates of costs described in paragraphs (1) and (2), with any available estimates of costs made by such committee or by any Federal agency; and

(4) a description of each method for establishing a Federal financial commitment contained in such bill or resolution.

The estimates, comparison, and description so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

(b) For purposes of subsection (a)(2), the term "local government" has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term "significant bill or resolution" is defined as any bill or resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of $200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of the Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

STUDY BY THE GENERAL ACCOUNTING OFFICE OF FORMS OF FEDERAL FINANCIAL COMMITMENT THAT ARE NOT REVIEWED ANNUALLY BY CONGRESS

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate

(b) For purposes of subsection (a)(2), the term "local government" has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term "significant bill or resolution" is defined as any bill or resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of $200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

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"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of the Act (but subject to the provisions of section 401(b)(3) of that Act)."

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"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

STUDY BY THE GENERAL ACCOUNTING OFFICE OF FORMS OF FEDERAL FINANCIAL COMMITMENT THAT ARE NOT REVIEWED ANNUALLY BY CONGRESS

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate

# APPENDIX C

## Budget Act Points of Order in the Senate

# BUDGET ACT POINTS OF ORDER IN THE SENATE

| Section | Description | Waiver requirement | Application |
|---|---|---|---|
| 301(i) | Prohibits consideration of budget resolution, amendments thereto, or conference report thereon, that contains deficit in excess of maximum deficit amount. (also applies to revised budget resolution via sec. 304(b)). | Three-fifths | Budget resolution.<br>Amendments.<br>Conference report. |
| 302(c) | Prohibits consideration of a committee's legislation until that committee has filed its sec. 302(b) report. | Three-fifths | Bill.<br>Resolution.<br>Amendments. |
| 302(f)(2) | Prohibits consideration of legislation providing budget authority or outlays in excess of committee's sec. 302(b) report. | Three-fifths | Bill.<br>Resolution.<br>Amendments.<br>Conference report. |
| 303(a) | Prohibits legislation providing new budget authority, change in revenues, change in public debt, new entitlement authority, or new credit authority for a fiscal year until the budget resolution for that year has been agreed to. | Majority | Bill.<br>Resolution.<br>Amendments.<br>Conference report (by precedent of Apr. 10, 1978). |
| 304(b) | See section 301(i) | Three-fifths | Revised Budget Resolution.<br>Amendments.<br>Conference report. |
| 305(b)(2) | Prohibits nongermane amendments to budget resolution (also applies to reconciliation bills via sec. 310(e)(1)). | Three-fifths | Amendments. |
| 305(e) | Prohibits consideration of budget resolution, or conference report thereon, that is not mathematically consistent. | Majority | Budget resolution.<br>Conference report. |
| 306 | Prohibits consideration of legislation within Budget Committee's jurisdiction, unless the Budget Committee reported it. | Three-fifths | Bill.<br>Resolution.<br>Amendments. |
| 310(d)(2) | Prohibits amendments to reconciliation bills that are not deficit neutral. | Three-fifths | Amendments. |
| 310(e)(1) | See section 305(b)(2) | Three-fifths | Amendments. |
| 310(g) | Prohibits consideration of reconciliation legislation that recommends changes in social security. | Three-fifths | Bill.<br>Resolution.<br>Amendments.<br>Conference report. |
| 311(a) | Prohibits consideration of legislation that would exceed outlay ceiling or revenue floor, or would cause deficit to exceed maximum deficit amount. | Three-fifths | Bill.<br>Resolution.<br>Amendments.<br>Conference report. |

| Section | Description | Waiver requirement | Application |
|---|---|---|---|
| 401(a) | Prohibits consideration of legislation providing new contract authority or new borrowing authority that is not limited to appropriations. | Majority | Bill.<br>Resolution.<br>Amendments.<br>Conference report. |
| 401(b)(1) | Prohibits consideration of legislation providing new entitlement authority that becomes effective during the fiscal year that ends in the calendar year in which the bill is reported. | Majority | Bill.<br>Resolution.<br>Amendments. |
| 402 | Prohibits consideration of legislation providing new credit authority that is not limited to appropriations. | Majority | Bill.<br>Resolution.<br>Amendments.<br>Conference report. |

# APPENDIX D

## The Byrd Rule on Extraneous Matter in Reconciliation Legislation

# THE BYRD RULE ON EXTRANEOUS MATTER IN RECONCILIATION LEGISLATION

*[Section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 7006 of the Omnibus Budget Reconciliation Act of 1986 and section 205 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987]*

**Sec. 20001. Miscellaneous Provisions**

(a) When the Senate is considering a reconciliation bill or a reconciliation resolution pursuant to section 310 of the Congressional Budget Act of 1974, upon a point of order being made by any Senator against material extraneous to the instructions to a committee which is contained in any title or provision of the bill or resolution or offered as an amendment to the bill or resolution, and the point of order is sustained by the Chair, any part of said title or provision that contains material extraneous to the instructions to said Committee as defined in subsection (d) shall be deemed stricken from the bill and may not be offered as an amendment from the floor. An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required to sustain an appeal of the ruling of the Chair on a point of order raised under this section, as well as to waive or suspend the provisions of this subsection.

(b) No motion to waive or suspend the requirement of section 305(b)(2) of the Congressional Budget Act of 1974, as it relates to germaneness with respect to a reconciliation bill or resolution, shall be agreed to unless supported by an affirmative vote of three-fifths of the Members, duly chosen and sworn, which super-majority shall be required to successfully appeal the ruling of the Chair on a point of order raised under that section, as well as to waive or suspend the provisions of this subsection.

(c) This section shall become effective on the date of enactment of this title and shall remain in effect until September 30, 1992.

(d)(1)—

(A) Except as provided in paragraph (2), a provision of a reconciliation bill or reconciliation resolution considered pursuant to section 310 of the Congressional Budget Act of 1974 shall be considered extraneous if such provision does not produce a change in outlays or revenues, including changes in outlays and revenues brought about by changes in the terms and conditions under which outlays are made or revenues are required to be collected;

(B) any provision producing an increase in outlays or decrease in revenues shall be considered extraneous if the net effect of provisions reported by the Committee reporting the title containing the provision is that the Committee fails to achieve its reconciliation instructions;

(C) a provision that is not in the jurisdiction of the Committee with jurisdiction over said title or provision shall be considered extraneous;

(D) a provision shall be considered extraneous if it produces changes in outlays or revenues which are merely incidental to the non-budgetary components of the provision; and

(E) a provision shall be considered to be extraneous if it increases, or would increase, net outlays, or if it decreases, or would decrease, revenues during a fiscal year after the fiscal years covered by such reconciliation bill or reconciliation resolution, and such increases or decreases are greater than outlay reductions or revenue increases resulting from other provisions in such title in such year.

(2) A provision shall not be considered extraneous under paragraph (1)(A) if the Chairman and Ranking Minority Member of the Committee on the Budget and the Chairman and Ranking Minority Member of the Committee which reported the provision certify that—

(A) the provision mitigates direct effects clearly attributable to a provision changing outlays or revenues and both provisions together produce a net reduction in the deficit;

(B) the provision will result in a substantial reduction in outlays or a substantial increase in revenues during fiscal years after the fiscal years covered by the reconciliation bill or reconciliation resolution;

(C) a reduction of outlays or an increase in revenues is likely to occur as a result of the provision, in the event of new regulations authorized by the provision or likely to be proposed, court rulings on pending litigation, or relationships between economic indices and stipulated statutory triggers pertaining to the provision, other than the regulations, court rulings or relationships currently projected by the Congressional Budget Office for scorekeeping purposes; and

(D) such provision will be likely to produce a significant reduction in outlays or increase in revenues but, due to insufficient data, such reduction or increase cannot be reliably estimated.

(3) A provision reported by a committee shall not be considered extraneous under paragraph (1)(C) if—

(A) the provision is an integral part of a provision or title, which if introduced as a bill or resolution would be referred to such committee, and the provision sets forth the procedure to carry out or implement the substantive provisions that were reported and which fall within the jurisdiction of such committee; or

(B) the provision states an exception to, or a special application of, the general provision or title of which it is a part and such general provision or title if introduced as a bill or resolution would be referred to such committee.

## Application of the Byrd Rule to Conference Reports

*[S. Res. 286 (99th Congress, 1st Session), as amended by S. Res. 509 (99th Congress, 2d Session), which appears at 132 Cong. Rec. S 16416 (Oct. 16, 1986)]*

The resolution (S. Res. 509) was agreed to, as follows:

S. RES. 509

That Senate Resolution 286 (99th Congress, 2d Session), adopted December 19, 1985, is amended by striking out all after the resolving clause and inserting in lieu thereof the following:

"That (a) when the Senate is considering a conference report on, or an amendment between the Houses in relation to, a reconciliation bill or reconciliation resolution pursuant to section 310 of the Congressional Budget Act of 1974, upon—

"(1) a point of order being made by any Senator against extraneous material meeting the definition of subsections (d)(1)(A) or (d)(1)(D) of section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, and

"(2) such point of order being sustained, such material contained in such conference report or amendment shall be deemed stricken, and the Senate shall proceed, without intervening action or motion, to consider the question of whether the Senate shall recede from its amendment and concur with a further amendment, or concur in the House amendment with a further amendment, as the case may be, which further amendment shall consist of only that portion of the conference report or House amendment, as the case may be, not so stricken. Any such motion in the Senate shall be debatable for 2 hours. In any case in which such point of order is sustained against a conference report (or Senate amendment derived from such conference report by operation of this resolution), no further amendment shall be in order.

"(b) An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required to sustain an appeal of the ruling of the Chair on a point of order raised under this resolution, as well as to waive or suspend the provisions of this resolution.

"(c) The provisions of this resolution shall remain in effect until the date of termination of section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985".

# APPENDIX E

## Tax Expenditures by Function (Excerpt From the Budget of the United States Government for Fiscal Year 1991)

Table C–1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(Fiscal years. In millions of dollars)

| Description | Outlay Equivalents | | | Revenue Loss | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Corporations | | | Individuals | | |
| | 1980 | 1980 | 1981 | 1980 | 1980 | 1981 | 1980 | 1980 | 1981 |
| **National defense:** | | | | | | | | | |
| Exclusion of benefits and allowances to armed forces personnel | 2,215 | 2,295 | 2,380 | | | | 1,900 | 1,965 | 2,040 |
| **International affairs:** | | | | | | | | | |
| Exclusion of income earned abroad by United States citizens | 1,580 | 1,645 | 1,710 | | | | 1,155 | 1,205 | 1,255 |
| Exclusion of income of foreign sales corporations (FSC) | 795 | 880 | 965 | 525 | 580 | 635 | | | |
| Inventory property sales source rules exception | 3,000 | 3,300 | 3,630 | 2,000 | 2,200 | 2,420 | | | |
| Certain nonfinancial institutions operations interest allocation rules exception | 100 | 130 | 135 | 65 | 85 | 90 | | | |
| Deferral of income from controlled foreign corporations: | | | | | | | | | |
| Pre-1983 budget method | 750 | 800 | 850 | 750 | 800 | 850 | | | |
| Post-1982 budget method | | | | | | | | | |
| Total (after interactions) | 6,225 | 6,755 | 7,290 | | | | | | |
| **General science, space, and technology:** | | | | | | | | | |
| Expensing of research and development expenditures: | | | | | | | | | |
| Pre-1983 budget method | 1,750 | 1,750 | 1,800 | 1,720 | 1,720 | 1,770 | 30 | 30 | 30 |
| Post-1982 budget method | | | | | | | | | |
| Credit for increasing research activities | 1,590 | 1,410 | 960 | 1,120 | 970 | 660 | 25 | 20 | 15 |
| Suspension of the allocation of research and experimentation expenditures | * | | | | | | | | |
| Total (after interactions) | 3,675 | 3,420 | 2,860 | | | | | | |
| **Energy:** | | | | | | | | | |
| Expensing of exploration and development costs: | | | | | | | | | |
| Oil and gas | −65 | 110 | 365 | −625 | −490 | −280 | 560 | 600 | 645 |
| Other fuels | 35 | 35 | 35 | 35 | 35 | 35 | | | |
| Excess of percentage over cost depletion: | | | | | | | | | |
| Oil and gas | 530 | 560 | 565 | 80 | 80 | 80 | 310 | 325 | 330 |
| Other fuels | 210 | 220 | 230 | 125 | 135 | 140 | 10 | 10 | 10 |
| Exclusion of interest on State and local industrial development bonds for certain energy facilities | 380 | 405 | 440 | 315 | 340 | 360 | | | |
| Alternative, conservation and new technology credits: | | | | | | | | | |
| Supply incentives | 110 | 110 | 35 | 80 | 75 | 25 | | | |
| Conservation incentives | −* | * | * | −* | * | * | | | |
| Alternative fuel production credit | 15 | 15 | 15 | 10 | 10 | 10 | | | |
| Alcohol fuel credit [1] | * | 45 | 155 | * | 35 | 110 | | | |
| Energy credit for intercity buses | −* | −* | −* | −* | * | * | | | |
| Special rules for mining reclamation reserves | 50 | 50 | 50 | 45 | 45 | 45 | 5 | 5 | 5 |
| Exception from passive loss limitation for working interests in oil and gas properties | 135 | 175 | 200 | | | | 135 | 175 | 200 |
| Total (after interactions) | 995 | 1,225 | 1,480 | | | | | | |
| **Natural resources and environment:** | | | | | | | | | |
| Expensing of exploration and development costs, nonfuel minerals | 40 | 40 | 40 | 35 | 35 | 35 | 5 | 5 | 5 |
| Excess of percentage over cost depletion, nonfuel minerals | 315 | 330 | 350 | 220 | 235 | 245 | 15 | 15 | 15 |
| Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities | 1,905 | 1,830 | 1,760 | 1,575 | 1,515 | 1,455 | | | |
| Tax incentives for preservation of historic structures | 140 | 140 | 130 | 45 | 45 | 40 | 95 | 95 | 90 |
| Expensing of multiperiod timber growing costs | 310 | 360 | 400 | 180 | 205 | 225 | 130 | 155 | 175 |
| Investment credit and seven-year amortization for reforestation expenditures | 210 | 215 | 220 | 80 | 40 | 40 | 160 | 170 | 175 |
| Total (after interactions) | 2,860 | 2,855 | 2,840 | | | | | | |
| **Agriculture:** | | | | | | | | | |
| Expensing of certain capital outlays | 505 | 495 | 450 | 60 | 60 | 50 | 445 | 435 | 400 |
| Expensing of certain multiperiod production costs | 85 | 180 | 160 | 35 | 60 | 55 | 50 | 120 | 105 |
| Treatment of loans forgiven solvent farmers as if insolvent | 10 | 10 | 10 | | | | 10 | 10 | 10 |
| Deferral of drought-related payments | 190 | −125 | −85 | 25 | −15 | −10 | 165 | −110 | −75 |
| Total (after interactions) | 745 | 530 | 505 | | | | | | |
| **Commerce and housing credit:** | | | | | | | | | |
| Exemption of credit union income | 645 | 740 | 850 | 445 | 510 | 590 | | | |
| Excess bad debt reserves of financial institutions | 45 | 25 | 20 | 45 | 25 | 20 | | | |
| Special merger rules for financial institutions | 5,635 | 5,720 | 4,795 | 3,885 | 3,945 | 3,310 | | | |
| Exclusion of interest on life insurance savings | 8,115 | 9,025 | 10,040 | 145 | 240 | 350 | 6,085 | 6,680 | 7,335 |
| Special alternative tax on small property and casualty insurance companies | 45 | 35 | 35 | 35 | 25 | 25 | | | |
| Tax exemption of certain insurance companies | 30 | 35 | 40 | 25 | 25 | 30 | | | |
| Small life insurance company deduction | 105 | 105 | 110 | 75 | 80 | 80 | | | |
| Exemption of RIC expenses from miscellaneous deduction floor | 385 | 420 | 600 | | | | 300 | 325 | 470 |
| Deductibility of interest on consumer credit | 3,945 | 2,080 | 770 | | | | 3,945 | 2,080 | 770 |
| Exclusion of interest on small issue industrial development bonds | 3,020 | 2,840 | 2,650 | 2,600 | 2,445 | 2,280 | | | |
| Exclusion of interest on State and local mortgage bonds for owner-occupied housing | 2,195 | 2,045 | 1,875 | | | | 1,895 | 1,775 | 1,625 |
| Exclusion of interest on State and local debt for rental housing | 1,510 | 1,420 | 1,340 | 1,220 | 1,150 | 1,080 | | | |
| Deductibility of mortgage interest on owner-occupied homes | 34,190 | 39,785 | 46,595 | | | | 34,190 | 39,785 | 46,595 |
| Deductibility of property tax on owner-occupied homes | 10,065 | 11,240 | 12,430 | | | | 10,065 | 11,240 | 12,430 |
| Deferral of income from post 1987 installment sales | 670 | 735 | 790 | 170 | 185 | 195 | 500 | 550 | 595 |
| Ordinary income treatment of loss from small business corp. stock sale | 30 | 20 | 20 | | | | 30 | 20 | 20 |
| Deferral of capital gains on home sales | 12,035 | 12,635 | 13,265 | | | | 12,035 | 12,635 | 13,265 |
| Exclusion of capital gains on home sales for persons age 55 and over | 4,195 | 4,250 | 4,280 | | | | 3,190 | 3,230 | 3,250 |

Table C–1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(Fiscal years, in millions of dollars)

| Description | Outlay Equivalents | | | Revenue Loss | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Corporations | | | Individuals | | |
| | 1989 | 1990 | 1991 | 1989 | 1990 | 1991 | 1989 | 1990 | 1991 |
| Step-up basis of capital gains at death | 16,635 | 18,075 | 19,640 | | | | 12,310 | 13,375 | 14,535 |
| Carryover basis of capital gains on gifts | 75 | 85 | | | | | 75 | 85 | 90 |
| Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures | 8,560 | 5,545 | 3,715 | 5,060 | 4,030 | 2,655 | 795 | 490 | 295 |
| Accelerated depreciation on rental housing: | | | | | | | | | |
| Pre-1983 budget method | 2,410 | 2,230 | 2,065 | 1,135 | 1,055 | 975 | 605 | 555 | 520 |
| Post-1982 budget method | | | | | | | | | |
| Accelerated depreciation of buildings other than rental housing: | | | | | | | | | |
| Pre-1983 budget method | 9,875 | 9,475 | 9,230 | 4,995 | 4,795 | 4,665 | 1,990 | 1,910 | 1,865 |
| Post-1982 budget method | | | | | | | | | |
| Accelerated depreciation of machinery and equipment: | | | | | | | | | |
| Pre-1983 budget method | 41,590 | 33,985 | 28,065 | 23,145 | 19,155 | 16,055 | 5,660 | 4,370 | 3,365 |
| Post-1982 budget method | | | | | | | | | |
| Safe harbor leasing rules | −710 | −710 | −715 | −710 | −710 | −715 | | | |
| Amortization of start-up costs | 230 | 245 | 265 | 30 | 35 | 35 | 130 | 135 | 145 |
| Reduced rates on the first $100,000 of corporate income: | | | | | | | | | |
| Pre-1983 budget method | 4,435 | 4,980 | 5,760 | 2,875 | 3,235 | 3,715 | | | |
| Post-1982 budget method | | | | | | | | | |
| Exception from the passive loss rules for $25,000 of rental losses | 4,210 | 5,475 | 6,435 | | | | 4,210 | 5,475 | 6,435 |
| Treatment of Alaska Native Corporations | 660 | 235 | 170 | 660 | 235 | 170 | | | |
| Permanent exceptions from imputed interest rules | 140 | 160 | 170 | * | * | * | 110 | 125 | 135 |
| Total (after interactions) | 153,085 | 151,590 | 154,685 | | | | | | |
| **Transportation:** | | | | | | | | | |
| Deferral of tax on shipping companies | 115 | 125 | 135 | 115 | 125 | 135 | | | |
| Exclusion of interest on State and local government bonds for mass commuting vehicles | 45 | 40 | 30 | 20 | 20 | 20 | | | |
| Total (after interactions) | 160 | 165 | 165 | | | | | | |
| **Community and regional development:** | | | | | | | | | |
| Five-year amortization for housing rehabilitation | 15 | 10 | 5 | 10 | 5 | −5 | 5 | 5 | * |
| Credit for low-income housing investments | 400 | 700 | 850 | 60 | 100 | 120 | 225 | 400 | 485 |
| Investment credit for rehabilitation of structures (other than historic) | 130 | 115 | 100 | 70 | 65 | 55 | 60 | 50 | 45 |
| Exclusion of interest on IDBs for airports, docks and sports and convention facilities | 875 | 860 | 840 | 715 | 700 | 685 | | | |
| Exemption of certain mutuals' and cooperatives' income | 1,015 | 1,065 | 1,120 | 725 | 760 | 800 | | | |
| Total (after interactions) | 2,425 | 2,730 | 2,895 | | | | | | |
| **Education, training, employment, and social services:** | | | | | | | | | |
| Exclusion of scholarship and fellowship income: | | | | | | | | | |
| Pre-1983 budget method | 700 | 730 | 770 | | | | 640 | 665 | 700 |
| Post-1982 budget method | | | | | | | | | |
| Exclusion of interest on State and local student loan bonds | 305 | 275 | 260 | | | | 290 | 265 | 240 |
| Exclusion of interest on State and local debt for private nonprofit educational facilities | 315 | 305 | 300 | | | | 270 | 265 | 255 |
| Exclusion of interest on savings bonds transferred to educational institutions | * | 20 | 75 | | | | * | 15 | 60 |
| Parental personal exemption for students age 19 or over | 435 | 450 | 465 | | | | 395 | 405 | 420 |
| Deductibility of charitable contributions (education) | 1,735 | 1,890 | 2,030 | 470 | 500 | 525 | 1,100 | 1,220 | 1,320 |
| Exclusion of employer provided educational assistance | 235 | 275 | 95 | | | | 190 | 225 | 80 |
| Total education (after interactions) | 3,765 | 3,990 | 4,040 | | | | | | |
| Exclusion of employer provided child care | 260 | 320 | 380 | | | | 200 | 240 | 290 |
| Exclusion of employee meals and lodging (other than military) | 790 | 830 | 865 | | | | 715 | 750 | 780 |
| Exclusion of contributions to prepaid legal services plans | 85 | 85 | 30 | | | | 65 | 70 | 20 |
| Investment credit for ESOPs | 195 | 115 | 65 | 145 | 85 | 50 | | | |
| Credit for child and dependent care expenses | 4,875 | 5,210 | 5,505 | | | | 3,710 | 3,895 | 4,165 |
| Targeted jobs credit | 340 | 335 | 275 | 300 | 300 | 245 | 40 | 35 | 30 |
| Total training and employment (after interactions) | 6,635 | 6,990 | 7,220 | | | | | | |
| Expensing of costs of removing certain architectural barriers to the handicapped | 20 | 20 | 25 | 15 | 15 | 20 | 5 | 5 | 5 |
| Deductibility of charitable contributions, other than education and health | 10,795 | 11,945 | 12,885 | 585 | 620 | 655 | 10,005 | 11,110 | 12,000 |
| Exclusion of certain foster care payments | 25 | 25 | 25 | | | | 20 | 20 | 20 |
| Exclusion of parsonage allowances | 215 | 240 | 265 | | | | 175 | 195 | 215 |
| Total social services (after interactions) | 10,965 | 12,130 | 13,090 | | | | | | |
| Grand total (after interactions) | 21,365 | 23,110 | 24,350 | | | | | | |
| **Health:** | | | | | | | | | |
| Exclusion of employer contributions for medical insurance premiums and medical care | 32,425 | 36,485 | 40,945 | | | | 26,550 | 29,820 | 33,450 |
| Exclusion of untaxed Medicare benefits | 7,290 | 7,685 | 8,325 | | | | 5,965 | 6,285 | 6,810 |
| Deductibility of medical expenses | 2,690 | 2,860 | 3,035 | | | | 2,690 | 2,860 | 3,035 |
| Exclusion of interest on State and local debt for private nonprofit health facilities | 2,805 | 2,725 | 2,675 | | | | 2,430 | 2,370 | 2,305 |
| Deductibility of charitable contributions (health) | 1,515 | 1,665 | 1,785 | 290 | 305 | 325 | 1,125 | 1,250 | 1,350 |
| Tax credit for orphan drug research | * | * | * | * | * | * | | | |
| Special Blue Cross/Blue Shield deduction | 80 | 150 | 175 | 55 | 100 | 120 | | | |
| Total (after interactions) | 46,725 | 51,400 | 56,785 | | | | | | |
| **Income security:** | | | | | | | | | |
| Exclusion of railroad retirement system benefits | 275 | 295 | 300 | | | | 275 | 295 | 300 |
| Exclusion of workmen's compensation benefits | 2,760 | 2,980 | 3,220 | | | | 2,760 | 2,980 | 3,220 |

Table C-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(Fiscal years, in millions of dollars)

| Description | Outlay Equivalents | | | Revenue Loss | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Corporations | | | Individuals | | |
| | 1989 | 1990 | 1991 | 1989 | 1990 | 1991 | 1989 | 1990 | 1991 |
| Exclusion of public assistance benefits: | | | | | | | | | |
| Pre-1983 budget method | 340 | 355 | 375 | | | | 340 | 355 | 375 |
| Post-1982 budget method | | | | | | | | | |
| Exclusion of special benefits for disabled coal miners | 110 | 110 | 110 | | | | 110 | 110 | 110 |
| Exclusion of military disability pensions | 105 | 110 | 110 | | | | 105 | 110 | 110 |
| Net exclusion of pension contributions and earnings: | | | | | | | | | |
| Employer plans | 56,985 | 60,095 | 62,660 | | | | 42,805 | 45,085 | 46,910 |
| Individual Retirement Accounts | 7,155 | 7,820 | 8,165 | | | | 5,440 | 5,960 | 6,230 |
| Keogh plans | 1,715 | 1,900 | 2,100 | | | | 1,325 | 1,470 | 1,630 |
| Exclusion of income earned by voluntary employee beneficiary & other associations | 410 | 445 | 485 | | | | 350 | 380 | 415 |
| Exclusion of employer provided death benefits | 25 | 25 | 25 | | | | 20 | 20 | 20 |
| Exclusion of other employee benefits: | | | | | | | | | |
| Premiums on group term life insurance | 3,195 | 3,335 | 3,480 | | | | 2,460 | 2,565 | 2,680 |
| Premiums on accident and disability insurance | 165 | 170 | 175 | | | | 125 | 130 | 135 |
| Income of trusts to finance supplementary unemployment benefits | 30 | 30 | 30 | | | | 30 | 30 | 30 |
| Special ESOP rules (other than investment credit) | 850 | 1,745 | 2,125 | 580 | 1,200 | 1,465 | 15 | 20 | 25 |
| Additional deduction for the blind | 10 | 15 | 15 | | | | 10 | 10 | 10 |
| Additional deduction for the elderly | 1,575 | 1,885 | 2,120 | | | | 1,260 | 1,505 | 1,695 |
| Tax credit for the elderly and disabled | 95 | 105 | 115 | | | | 75 | 85 | 90 |
| Deductibility of casualty losses | 170 | 205 | 180 | | | | 140 | 165 | 150 |
| Earned income credit [2] | 2,215 | 2,405 | 2,720 | | | | 1,780 | 2,045 | 2,400 |
| Total (after interactions) | 75,810 | 80,670 | 84,690 | | | | | | |
| Social Security: | | | | | | | | | |
| Exclusion of social security benefits: | | | | | | | | | |
| OASI benefits for retired workers | 14,840 | 15,680 | 16,490 | | | | 14,840 | 15,680 | 16,490 |
| Disability insurance benefits | 1,105 | 1,145 | 1,195 | | | | 1,105 | 1,145 | 1,195 |
| Benefits for dependents and survivors | 2,940 | 3,110 | 3,285 | | | | 2,940 | 3,110 | 3,285 |
| Total (after interactions) | 18,885 | 19,935 | 20,970 | | | | | | |
| Veterans benefits and services: | | | | | | | | | |
| Exclusion of veterans disability compensation | 1,490 | 1,500 | 1,590 | | | | 1,490 | 1,500 | 1,590 |
| Exclusion of veterans pensions | 80 | 75 | 75 | | | | 80 | 75 | 75 |
| Exclusion of GI bill benefits | 55 | 45 | 40 | | | | 55 | 45 | 40 |
| Exclusion of interest on state and local debt for veterans housing | 320 | 295 | 275 | | | | 255 | 240 | 220 |
| Total (after interactions) | 1,945 | 1,915 | 1,980 | | | | | | |
| General government: | | | | | | | | | |
| Exclusion of interest on public purpose State and local debt | 13,490 | 13,520 | 13,865 | 2,075 | 2,100 | 2,105 | 9,035 | 9,190 | 9,240 |
| Deductibility of nonbusiness State and local taxes other than on owner-occupied homes | 18,495 | 20,290 | 21,860 | | | | 18,495 | 20,290 | 21,860 |
| Tax credit for corporations receiving income from doing business in United States possessions | 2,895 | 3,185 | 3,505 | 1,910 | 2,100 | 2,310 | | | |
| Total (after interactions) | 34,880 | 36,995 | 39,230 | | | | | | |
| Interest: | | | | | | | | | |
| Deferral of interest on savings bonds | 960 | 1,070 | 1,090 | | | | 960 | 1,070 | 1,090 |
| Addendum—Aid to State and local governments: | | | | | | | | | |
| Deductibility of: | | | | | | | | | |
| Property taxes on owner-occupied homes | 10,065 | 11,240 | 12,430 | | | | 10,065 | 11,240 | 12,430 |
| Nonbusiness State and local taxes other than on owner-occupied homes | 18,495 | 20,290 | 21,860 | | | | 18,495 | 20,290 | 21,860 |
| Exclusion of interest on: | | | | | | | | | |
| Public purpose State and local debt | 13,490 | 13,520 | 13,865 | 2,075 | 2,100 | 2,105 | 9,035 | 9,190 | 9,240 |
| IDBs for certain energy facilities | 380 | 405 | 440 | 315 | 340 | 360 | | | |
| IDBs for pollution control and sewage and waste disposal facilities | 1,905 | 1,830 | 1,760 | 1,575 | 1,515 | 1,455 | | | |
| Small-issue IDBs | 3,020 | 2,840 | 2,680 | 2,600 | 2,445 | 2,280 | | | |
| Owner-occupied mortgage revenue bonds | 2,195 | 2,045 | 1,875 | | | | 1,895 | 1,775 | 1,625 |
| State and local debt for rental housing | 1,510 | 1,420 | 1,340 | 1,220 | 1,150 | 1,080 | | | |
| Mass commuting vehicle IDBs | 45 | 40 | 30 | 20 | 20 | 20 | | | |
| IDBs for airports, docks, and sports and convention facilities | 875 | 860 | 840 | 715 | 700 | 685 | | | |
| State and local student loan bonds | 305 | 275 | 260 | | | | 290 | 265 | 240 |
| State and local debt for private nonprofit educational facilities | 315 | 305 | 300 | | | | 270 | 265 | 255 |
| State and local debt for private nonprofit health facilities | 2,805 | 2,725 | 2,675 | | | | 2,430 | 2,370 | 2,305 |
| State and local debt for veterans housing | 320 | 295 | 275 | | | | 255 | 240 | 220 |
| Total (after interactions) | 23,090 | 22,575 | 22,365 | | | | | | |

[1] $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[2] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $485 million in 1989, $435 million in 1990, and $415 million in 1991.

[3] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1989, $4,005 million; 1990, $4,195 million; 1991, $4,370 million.

# APPENDIX F

## Outlays Under Finance Committee Expenditure Accounts for Fiscal Years 1991–1993 (CBO baseline projections—in millions of dollars)

## OUTLAYS UNDER FINANCE COMMITTEE EXPENDITURE ACCOUNTS FOR FY 1991–1993

[CBO baseline projections—in millions of dollars]

| | Fiscal year— | | | |
|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1991–93 |
| Social Security (OASDI) | 266,771 | 283,681 | 301,485 | 851,937 |
| Medicare | 118,702 | 133,437 | 149,676 | 401,815 |
| Medicaid | 45,103 | 50,753 | 56,706 | 152,562 |
| Maternal and Child Health | 639 | 673 | 702 | 2,014 |
| Supplemental Security Income | 14,431 | 15,438 | 16,517 | 46,386 |
| AFDC and Child Support | 12,920 | 13,495 | 14,087 | 40,502 |
| AFDC work programs (WIN/JOBS) | 570 | 660 | 670 | 1,900 |
| Earned Income Tax Credit | 4,343 | 4,554 | 4,754 | 13,651 |
| Foster Care/Adoption | 2,119 | 2,263 | 2,474 | 6,856 |
| Child Welfare Services/Training | 276 | 240 | 240 | 756 |
| Social Services | 2,800 | 2,800 | 2,800 | 8,400 |
| Unemployment Compensation | 18,091 | 18,682 | 19,464 | 56,237 |
| Trade Adjustment | 220 | 223 | 227 | 670 |
| Job Service | 1,118 | 1,162 | 1,209 | 3,489 |
| Puerto Rico Tax Rebates | 205 | 205 | 205 | 615 |
| Puerto Rico Customs Rebates | 134 | 139 | 145 | 418 |
| Public Debt Administration | 202 | 211 | 220 | 633 |
| Interest on Public Debt | 272,318 | 287,470 | 303,898 | 863,686 |
| Interest on Tax Refunds | 2,073 | 2,092 | 2,201 | 6,366 |
| Pension Benefit Guaranty Corp. | (264) | (254) | (240) | (758) |
| U.S. Trade Representative | 19 | 20 | 20 | 59 |
| International Trade Commission | 39 | 41 | 43 | 123 |
| Customs—general administration | 1,193 | 1,187 | 1,241 | 3,621 |
| Customs—air interdiction | 220 | 238 | 253 | 711 |
| Customs Refunds, Forfeitures, etc. | 54 | 56 | 58 | 168 |
| Tax Court | 29 | 31 | 32 | 92 |
| Internal Revenue Service | 5,830 | 6,083 | 6,347 | 18,260 |
| Totals: | | | | |
| Social Security (OASDI) | 266,771 | 283,681 | 301,485 | 851,937 |
| Other (except interest) | 228,993 | 252,337 | 277,850 | 759,180 |



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